

# NAIM

NAIM CENDERA HOLDINGS BERHAD

DAFTAR PERUSAHAAN BERSEKUTUAN TERBUKA (INCORPORATED IN MALAYSIA)

## ANNUAL REPORT 2007

**Ranked 1st in Sarawak  
and 1st in Property Sector in Malaysia for  
Best Practices in Corporate Governance**

**Shareholders enjoy a 256% return  
on investment in just 4½ years**



**Revenue grew 23% to RM646 million**

**Land Bank approx. 2,800 acres  
with estimated GDV of RM5 Billion**

**Acquired & listed Dayang Enterprise  
Holdings at Market Capitalisation  
of RM510.4 million**

# contents

vision and mission statement	2
cautionary statement regarding forward-looking statements	3
share performance	4
2007 at a glance	5
10-year financial highlights	6
corporate information	8
corporate structure	9
organizational structure	10
awards	11
corporate profile	12
message to our shareholders	14
review of operations	20
board of directors	28
senior management team	36
audit committee	38
corporate governance	41
board committees	53
statement of internal control	63
corporate & social responsibility	64
investor relations activities	66
naim group in the news	68
diary of corporate events	70
economic outlook	76
financial statements	78
analysis of shareholdings	136
top 10 properties	138
notice of annual general meeting	139
form of proxy	141

## logo rational



The Logo type display the word Naim in green, red and gold colours which reflects the group's strength and capabilities. Green represents growth, sincerity and fairness, red represents strength and prosperity, whilst gold represents excellence and superior quality.

The word Naim is intersected by the apex of a toroid, a ring-like shape possessing exceptional strength, stability and integrity. The conjunction of the golden letter A and the toroid suggests a dazzling sunrise, predicting a shining long-term future for the group.

building vibrant people-friendly communities  
constructing national assets with quality and value



## our vision

To be the leading home builder and contractor in every market in which we operate, and in every aspect of our operations, leading the way in quality, reliability, and value for money.

## our mission

- ▶ To provide the finest products and services to our customers.
- ▶ To provide increasing value and superior returns for our shareholders.
- ▶ To empower every member of our staff to develop their potential to the maximum.
- ▶ To be a role model customer for our suppliers, sub-contractors and service providers.
- ▶ To contribute meaningfully and positively to the community and the society that nurture us.

our vision  
our mission



# cautionary statement regarding forward-looking statements

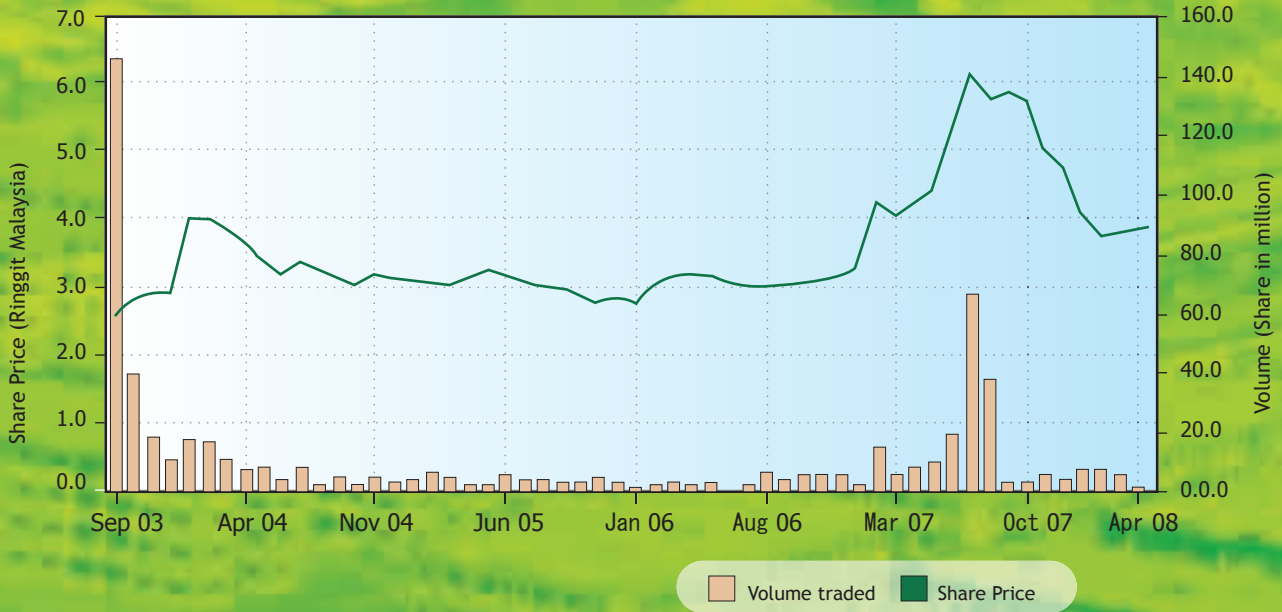
## cautionary statement regarding forward-looking statements

This Annual Report contains some forward-looking statements in respect to the Naim Group's financial condition, results of operations and business. These forward-looking statements represent the Naim Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Readers are hereby cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. In this respect readers must therefore not rely solely on these statements in making investment decisions regarding the Naim Group. The Board and the Naim group shall not be responsible for any investment decisions made by the readers in reliance on those forward-looking statements. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events that would arise in the interim of the publication of this Annual Report and the time of reading this Annual Report. The Board have however established a Risk Management Committee to mitigate as much as practicably possible the consequences of any uncertainties and contingencies. Further details can be found in the Statement on Corporate Governance on pages 41 to 52

# share performance

# share performance

Naim Cendra Holdings Berhad  
Share Performance Chart



Naim Cendra vs Bursa Malaysia Indices



## 2007 at a glance

# 2007 at a glance

Financial Performance		% Change From 2006
Revenue (RM'000)	646,024	+ 22.82
Profit Before Tax (RM'000)	126,325	+ 20.48
Net Profit (RM'000)	76,274	+ 15.17
Total Assets (RM'000)	906,918	+ 14.24
Shareholders' Equity (RM'000)	539,318	+ 10.11
Earnings Per Share (sen)	31.20	+ 15.13
NTA Per Share (sen)	215.18	+ 10.03
Return On Equity (%)	14.14	+ 4.59
Gross Dividend (sen)	15.00	-
Gross Dividend Yield (%)	3.20	-

### Major Events

- Acquired a major stake in Dayang Enterprise Holdings Berhad
- Won the prestigious Malaysian Construction Industry Excellence Award (MCIEA 2007)
- Improved to 12th (top 5%) overall, ranked top among Sarawak based companies, and top in property sector for companies listed on Bursa Malaysia for demonstrating best practices in Corporate Governance
- External construction and civil engineering contracts completed exceeded RM1 billion mark
- Opened a new representative office in Kuala Lumpur

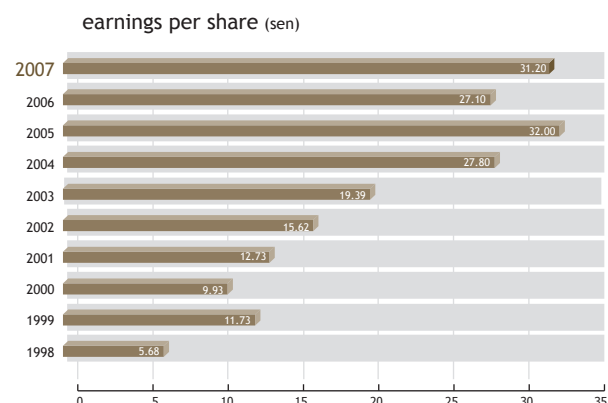
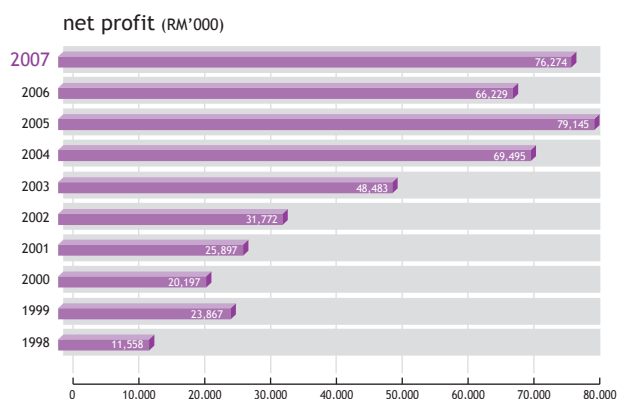
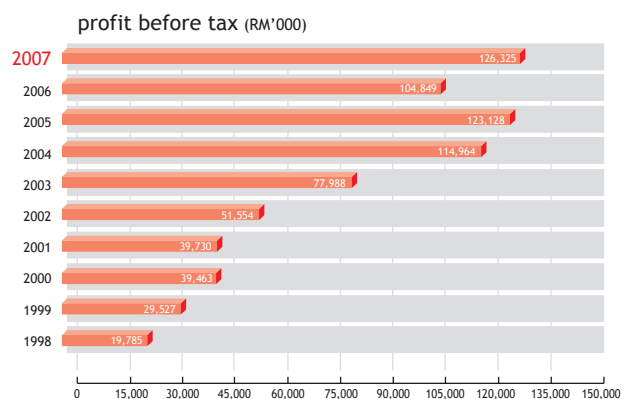
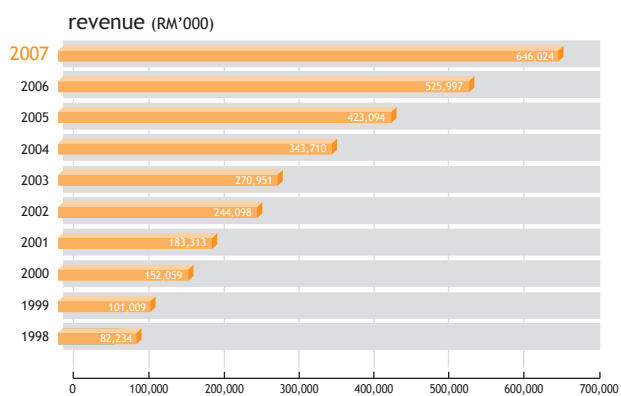
### Financial Calendar

27 April	1Q07 Results announced
12 June	1st Interim Dividend (7 Sen) paid
18 June	Annual General Meeting held
23 August	2Q07 Results announced
14 November	3Q07 Results announced
21 December	2nd Interim Dividend (8 Sen) paid
28 February 2008	4Q07 Results announced

# 10-year financial highlights (in RM '000)

# 10-year financial hig

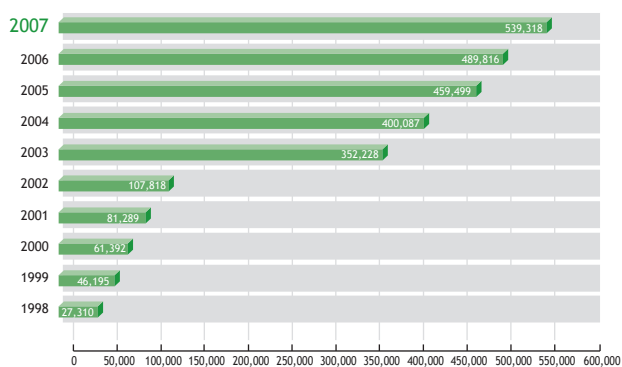
Year	1998	1999	2000	2001	2002
Revenue	82,234	101,009	152,059	183,313	244,098
Profit before Taxation	19,785	29,527	39,463	39,730	51,554
Net Profit	11,558	23,867	20,197	25,897	31,772
Total Assets	61,425	100,893	144,862	191,583	222,851
Net Tangible Assets	27,310	45,443	61,194	81,175	107,787
Shareholders' Equity	27,310	46,195	61,392	81,289	107,818
Total Number of Shares	203,425	203,425	203,425	203,425	203,425
Earnings Per share (sen)	5.68	11.73	9.93	12.73	15.62
Gross Dividend Rate (%) *	-	2.46%	2.46%	2.95%	15.24%
Net Tangible Assets Per Share (sen)	13.42	22.34	30.08	39.90	52.99
Gearing Ratio	0.04	0.06	0.06	0.09	0.07



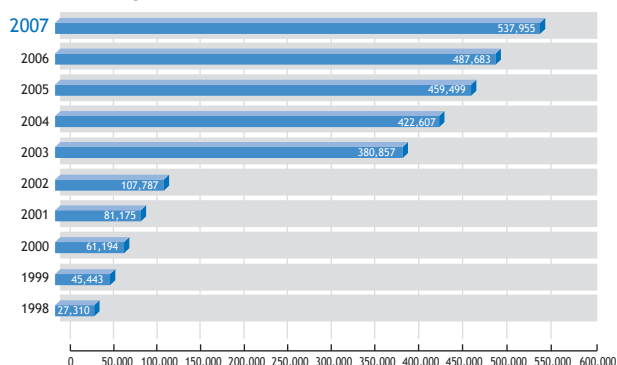
# Highlights (in RM '000)

	2003	2004	2005	2006	2007
	270,951	343,710	423,094	525,997	646,024
	77,988	114,964	123,128	104,849	126,325
	48,483	69,495	79,145	66,229	76,274
	567,301	657,481	710,277	793,841	906,918
	380,857	422,607	459,499	487,683	537,955
	352,228	400,087	459,499	489,816	539,318
	250,000	250,000	250,000	250,000	250,000
	19.39	27.80	32.00	27.10	31.20
	9.00%	12.00%	12.00%	15.00%	15.00%
	152.34	169.04	183.80	195.07	215.18
	0.006	0.002	0.001	0.007	0.202

shareholders' equity (RM'000)



net tangible assets (RM'000)



\* Based on the gross dividend declared and paid by Naim Cendera Sdn. Bhd. of RM5,000,000, RM6,000,000 and RM6,000,000 in respect of financial years ended 31 December 2000, 2001, 2002 respectively and the number of shares assumed in issue of 203,425,000 shares. In 2003 the gross dividend paid was RM22,500,000 based on the number of shares in issue, i.e. 250,000,000 shares.

From 2004 onwards, gross dividends paid refer to dividends paid by Naim Cendera Holdings Berhad.

Note:  
The financial highlights for the years ended 31 December 1998 to 2002 are presented on a pro-forma basis (as if Naim Cendera Sdn Bhd (NCSB) and its subsidiaries were part of the Naim Cendera Holdings Group since 1 January 1998), and are for illustrative purposes only.

# corporate information

## NAIM CENDERA HOLDINGS BERHAD

### BOARD OF DIRECTORS

#### Chairman

Datuk Abdul Hamed Bin Haji Sepawi

#### Managing Director

Datuk Hasmi Bin Hasnan

#### Deputy Managing Director

Dr. Sharifuddin Bin Abdul Wahab

#### Senior Vice President / Executive Director

Ahmad Bin Abu Bakar  
Ir. Suyanto Bin Osman  
Kueh Hoi Chuang

#### Vice President / Executive Director

Abang Hasni Bin Abang Hasnan  
Leong Chin Chiew

#### Senior Independent Non-Executive Director

YB Tuan Haji Hamdan Bin Haji Ahmad

#### Non-Executive Director

Ir. Haji Abang Jemat Bin Abang Bujang

#### Independent Non-Executive Director

Sylvester Ajah Subah @ Ajah Bin Subah  
Datu Haji Abdul Rashid Bin Mohd Azis  
Professor Abang Abdullah Bin Mohamad Ali

#### Company Secretary

Kho Teck Hock (MIA 5836)  
Bong Siu Lian (MAICSA 7002221)

#### Registered and Head Office

9<sup>th</sup> Floor Wisma Naim, 2½ Mile,  
Rock Road, 93200  
Kuching, Sarawak, Malaysia.  
Tel: 6 082 411667 Fax: 6 082 233667  
Email: enquiries@naimcendera.com  
Website: www.naimcendera.com

#### Registrars

Tenaga Korperat Sdn. Bhd.  
20<sup>th</sup> Floor, Plaza Permata  
Jalan Kampar, Off Jalan Tun Razak  
50400 Kuala Lumpur.  
Tel: 6 03 40416522  
Fax: 6 03 40426352

#### Stock Exchange Listing

Main Board  
On 12 September 2003  
Sector: Property  
Stock Code: 5073  
Stock Name: Naim

#### Incorporation

5 July, 2002 in Malaysia  
Under the Companies Act, 1965

#### Auditors

KPMG (Firm No AF0758)  
Chartered Accountants  
Level 6, Westmoore House,  
Twin Tower Centre, Rock Road  
93200, Kuching, Sarawak, Malaysia.

#### Solicitors

Alvin Chong & Partners Advocates  
Lots 176-177 (2<sup>nd</sup> Floor),  
Jalan Song Thian Cheok 93100 Kuching,  
Sarawak, Malaysia.

#### Principal Bankers

CIMB Bank Berhad  
Ground Floor Lot 1.1, Bangunan Satok  
Jalan Satok/Kulas 93400,  
Kuching, Sarawak, Malaysia.

HSBC Bank Malaysia Bhd  
Bangunan Binamas, Jalan Padungan,  
93100 Kuching, Sarawak, Malaysia

#### AmBank Bhd

No. 164, 166 & 168,  
Jalan Abell 93100 Kuching,  
Sarawak, Malaysia

#### Headquarters

9<sup>th</sup> Floor, Wisma Naim, 2½ Mile,  
Rock Road 93200, Kuching, Sarawak,  
Malaysia.

#### Kuala Lumpur

16<sup>th</sup> Floor, Menara Dion, 27 Jalan Sultan  
Ismail, 50250 Kuala Lumpur

#### Miri

Lot 5906-5911, Block 10, Desa Pujut  
Shoplot, Bandar Baru Permyjaya,  
P.O. Box 369, 98107, Lutong, Miri,  
Sarawak, Malaysia.

#### Kuching Property Sales

Ground Floor, Wisma Naim, 2½ Mile,  
Rock Road 93200, Kuching, Sarawak,  
Malaysia.

#### Miri Property Sales

Ground Floor, Lot 889, 9 MCLD, Miri  
Waterfront, Commercial Centre,  
98000 Miri, Sarawak, Malaysia.

#### Business Development Division

Lot 2672 & 2673, Level 7, Westmoore  
House, 2½ Mile, Rock Road 93200, Kuching,  
Sarawak, Malaysia.

#### Accounts Department

Sublot 12, 2<sup>nd</sup> floor, Lot 2678, Block 10,  
2½ Mile, Rock Road 93200,  
Kuching, Sarawak, Malaysia.

#### Finance Division

Sublot 12, 3<sup>rd</sup> Floor, Lot 2678, Block 10,  
2½ Mile, Rock Road 93200,  
Kuching, Sarawak, Malaysia.

#### Corporate Affairs Division

Sublot 12, 3<sup>rd</sup> Floor, Lot 2678, Block 10,  
2½ Mile, Rock Road 93200,  
Kuching, Sarawak, Malaysia.

#### Property Division

Sublot 1, Lot 676, 1<sup>st</sup> & 2<sup>nd</sup> floor,  
Eastmoore Centre, 2½ Mile, Rock Road  
93200, Kuching, Sarawak, Malaysia.

#### Construction/QS Division

1<sup>st</sup> & 2<sup>nd</sup> Floor, Sublots 3 & 4, Survey Lots  
3165 & 3166, Block 10 KCLD, Rock Road  
93200, Kuching, Sarawak, Malaysia.

#### Trading/Services Division

2<sup>nd</sup> Floor, No. 16, Lot 2348, Jalan Tun  
Ahmad Zaidi Aduce 93150, Bromill Estate  
Commercial Centre, Kuching, Sarawak,  
Malaysia.

#### Site Offices

##### Balingian

Sublot 35, Ground Floor, Mini Shop House,  
Kampung Lintang, 93650 Balingian,  
Sarawak, Malaysia.

##### Sibu Jalau

Lot 1195, Sublot 35, 1<sup>st</sup> Floor, Sibu Jaya  
Commercial Centre, 96000 Sibu, Sarawak,  
Malaysia.

##### Limbang

CIQ Site Office, Lot 387 Kampung Belading,  
Tedungan, 87100 Limbang, Sarawak,  
Malaysia



# corporate structure

(at date of Annual Report)

corporate structure



## NAIM CENDERA HOLDINGS BERHAD

### Naim Cendera Sdn Bhd

Naim Cendera Holdings Berhad 100%

### Naim Cendera Holdings Berhad

#### Engineering / Construction

**Total Reliability Sdn Bhd**  
Naim Cendera Sdn Bhd 51%

**NCSB Engineering Sdn Bhd**  
Naim Cendera Sdn Bhd 100%

**SINOHYDRONAIM Sdn Bhd**  
Naim Cendera Sdn Bhd 49%

#### Property Development

**Khidmat Mantap Sdn Bhd**  
Naim Cendera Sdn Bhd 100%

**Desa Ilmu Sdn Bhd**  
Naim Cendera Sdn Bhd 60%

**Naim Commercial Sdn Bhd**  
Naim Cendera Sdn Bhd 100%

#### Manufacturing

**TR Bricks Sdn Bhd**  
Naim Cendera Sdn Bhd 19%  
Total Reliability Sdn Bhd 51%

**TR Concrete Sdn Bhd**  
Total Reliability Sdn Bhd 35%

**TR Smart Piles Sdn Bhd**  
Naim Cendera Sdn Bhd 51%

**Naim Ready Mix Sdn Bhd**  
Naim Cendera Sdn Bhd 80%

#### Trading / Services

**Naim Cendera Dua Sdn Bhd**  
Naim Cendera Sdn Bhd 100%

**TR Green Sdn Bhd**  
Naim Cendera Sdn Bhd 100%

**Naim Equipment Sdn Bhd**  
Naim Cendera Sdn Bhd 100%

#### Property Investment

**Yakin Pelita Sdn Bhd**  
Naim Cendera Sdn Bhd 100%

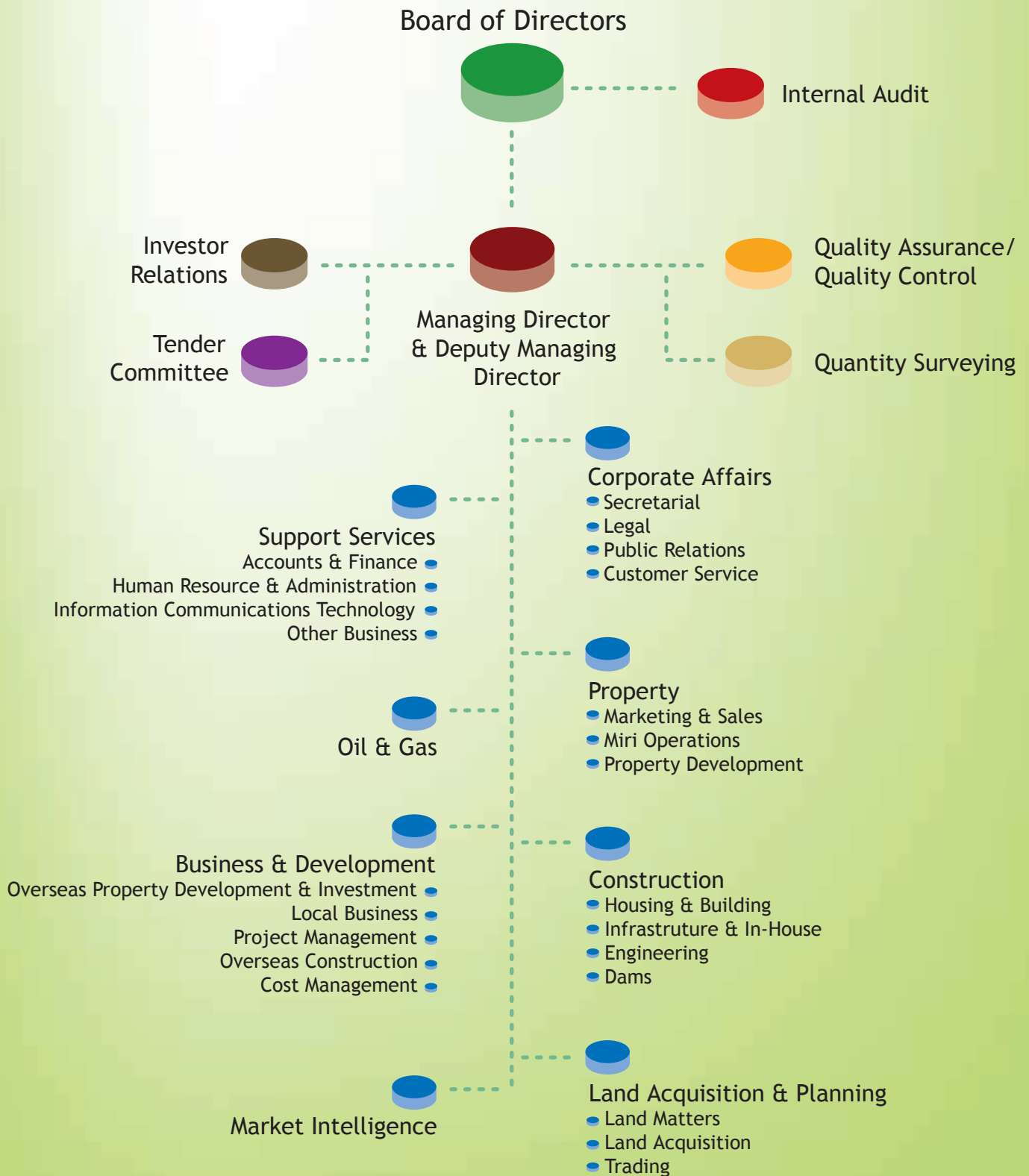
**Eighteen Other Dormant Companies**

#### Oil & Gas

**Dayang Enterprise Holdings Berhad**  
Naim Cendera Holdings Berhad 36%

# organisational structure

# organisational structure



# awards awards

**2007**

The Malaysian Construction Industry Excellence Awards



**2005**  
Malaysia Corporate & Social Environment Responsibility Award



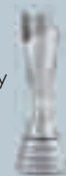
**2005**  
Spain 17th International Construction New Millennium Award



**2004**  
KPMG Shareholder Value Awards



**2004**  
The Malaysian Construction Industry Excellence Awards **Builder of The Year**



**2004**  
The Malaysian Construction Industry Excellence Awards **Medium Engineering Project**



**2004**  
Malaysia Canada Business Council **Industry Excellence for Construction Award**



**2003**  
SCCI Annual Corporate Report Awards **Best Annual Report Award**



**2003**  
The Malaysian Construction Industry Excellence Awards **Medium Building Project**



**2002**  
CIDB Contractor Industry Award **Institutional Building Project**



Registered with Pusat Khidmat Kontraktor (PKK) under Class A (Bumiputra); Unit Pendaftaran Kontraktor Negeri Sarawak (UPK) under Class A (Bumiputra); CIDB under Grade 7; PETRONAS under 'LOCAL' status for services/supplies in building and civil engineering & maintenance; Perbendaharaan Malaysia Sarawak in the scope of new supplies/servicing and member of Sarawak Housing Developers' Association.

corporate profile

# corporate profile



Naim Cendera Holdings Berhad  
is a company listed on the  
Main Board of Bursa Malaysia Berhad.



The Company is the holding company for its 100% owned subsidiary, Naim Cendera Sdn Bhd (NCSB), which is primarily involved in property development and construction. NCSB was formed on 12 April 1993 and has been active in the property and construction fields since September 1995. It focuses its business efforts on two principal areas: integrated property developments combining residential, commercial and industrial properties with infrastructure and public amenities; and contracting of construction, civil engineering and infrastructure projects.

NCSB's flagship property developments are Bandar Baru Permyjaya in Min, Desa Ilmu in Kota Samarahan, and the up-market Riveria satellite township in Kuching's southern corridor. They are reinforced by a number of smaller residential and commercial developments in Sarawak's major population centres. Together these developments will provide more than 23,000 homes and commercial buildings with a combined population of over 105,000. Upon completion, their combined GDV is estimated to be in excess of RM5 billion. Future growth is assured by a vast land bank of over 2,600 acres, spread throughout key growth areas of Sarawak. NCSB is also a Class A Bumiputera Contractor with ISO 9001 certification. As well as implementing NCSB's own development projects, it has carried out more than RM1 billion of Federal and State Government contracts, and has a construction order book worth over RM3.4 billion. It focuses on excellent quality and timely delivery, a philosophy that has earned NCSB a host of industry awards including the following:

- 2007:** Winner of the Malaysia Construction Industry Excellence Award (MCIEA) in Contractor Award (Grade G7) from the Construction Industry Development Board 2007.
- 2007:** Ranked 12th overall in Malaysia for compliance with local and international corporate governance and best practice by Minority Shareholder Watchdog Group.
- 2005:** Winner of the 17th International Construction & Global Quality Management (GQM) Award, European Trade Leaders' Club, Madrid, Spain.
- 2005:** Winner of the Corporate, Social & Environment Responsibility (CSR) Award from the Bahrain Malaysia International Trade & Investment Bureau.
- 2005:** Winner of the KPMG Shareholder Value Award 2004 Construction & Properties Sector, awarded by KPMG and The Edge.
- 2004:** Winner of the prestigious Builder Of The Year Award from the Construction Industry Development Board.
- 2004:** Bestowed Industry Excellence for Construction Award under the Malaysia Canada Business Council's Business Excellence Awards for 2004.
- 2004:** Winner of the Malaysia Construction Industry Excellence Award (MCIEA) in Medium Scale Building Project from the Construction Industry Development Board 2004.
- 2003:** Winner of Most Outstanding Annual Corporate Report (non-listed company) from the Sarawak Chamber of Commerce & Industry.
- 2002:** First (and still the only) Sarawak-based company to win the Construction Industry Development Board's Best Contractor Award.

NCSB is also active in the manufacturing, trading and distribution of building materials, which provides useful profits as well as valuable support for the Property and Infrastructure divisions. Naim Cendera Holdings Berhad was listed on the Main Board of Bursa Malaysia Berhad on 12 September 2003. It is the largest development group in Sarawak in terms of units completed, according to leading industry analysts CH Williams Talhar Wong & Yeo Sdn Bhd.

NCHB also ventured into the oil & gas sector by acquiring an initial 45% of award winning Dayang Enterprise Holdings Berhad, which is principally involved in the provision of offshore topside maintenance services, minor fabrication operations, offshore hook-up and commissioning and charter of marine vessels. One of the subsidiaries Dayang Enterprise Sdn. Bhd was accredited with a MS ISO 9001:2000 Quality Management System certified by SIRIM QAS International Sdn. Bhd. in June 1999. This diversification into Oil & Gas will strengthen profits and foster further growth of NCHB. Our stake in Dayang has since been reduced to 36% following its successful listing on Bursa Malaysia on 24 April 2008.



# message to our sha

## a message to our shareholders

On behalf of the Board of Directors it gives us great pleasure to present your Company's Annual Report for the year ended 31 December 2007, our 12th full year of operations.

### OPENING STATEMENT

The Group has enjoyed one of the most successful years in its history. We have achieved substantial increases in revenues and profits. Both our Property and Construction Divisions have performed above expectations. We have expanded our land bank and our order book. Our acquisition of a major stake in Dayang Enterprise Holdings Berhad has already yielded financial benefits, and paved the way for growth, expansion and diversification into the booming Oil and Gas Sector. We have once again received the prestigious Construction Industry Excellence Award, this time for our environmental performance. And we have further consolidated our status as one of Malaysia's leading proponents of good corporate governance.

However, this excellent performance is no excuse for us to rest on our laurels. Challenging times lie ahead, and during the year we have also implemented a variety of measures to deal with these forthcoming challenges, so that we can do our very best to maintain and enhance shareholder value for the foreseeable future. Full details are given in this Message to Shareholders, below, and in the next chapter, Review of Operations.

### FINANCIAL PERFORMANCE

The Group recorded an increase in revenue to RM646 million in the period under review, compared to RM526 million for 2006. Profit before tax was RM126.6 million, compared to RM104.8 million for 2006, and profit after tax was RM80.1 million compared to RM75.4 million for 2006. Therefore the financial results for 2007 are in line with expectations, with basic earnings of 31.2 sen per ordinary share compared to 27.1 sen in 2006.

Contribution to revenue from the property division was 35.5%, with the construction division contributing 57.7%. For the corresponding period in 2006, the property and construction divisions contributed 40.7% and 51.5% respectively.

These excellent results put us back on track to achieve our long term growth projections, after a somewhat disappointing 2006, and mark a return to our pre-2006 track record of 10 years of continuous growth in both revenue and profits. They are attributable to the strong performance of both the property and construction divisions and the growing profit contribution from Dayang.

### Dividends

The board is not recommending a Final Dividend for the financial year ended 31 December 2007. The Interim Dividends (totalling 15 sen per share before tax) already declared and paid represent a distribution to Shareholders of RM26.8 million after tax, or 33.4% of the Group's profits for the year ended 31 December 2007. The dividend yield is 3.2% based on the year-end share price of RM4.72 and in the Board's opinion offers adequate short term financial returns for our investors whilst maintaining reasonable cash reserves for future growth, including expansion of the land bank, expansion and upgrading of plant, and other investments outlined in Prospects, below.

### Creation of Shareholder Value

The primary objective of all of the Naim Group's activities is the creation of added value for our shareholders, a goal we have once again successfully achieved. For example, **our net assets have grown more than 81 times, from RM6.61 million in 1996 to RM539.3 million at the end of 2007.**

It is also heartening to note that investors are taking a very positive view of our long term prospects. Shareholders buying Naim Stock at its initial offer price on 12th September 2003 have seen their investment grow from RM1.30 per share to RM4.00 per share (April 25 2008).

Taking into account this substantial increase in share price, as well as the dividends of 9.0 sen (2003), 12.0 sen (2004), 12.0 sen (2005), 15.0 sen (2006) and 15.0 sen (2007) **shareholders have enjoyed a financial gain of RM3.33 per share, a 256% return on their initial investment, in just over 54 months.**



# shareholders

## CORPORATE GOVERNANCE

Corporate governance not only adds shareholder value but also protects the rights and interests of shareholders for the benefit of all. Therefore the Board of Directors places great emphasis on good governance and prioritizes it as a key component of the overall value creation process. The recent emergence of external governance rating agencies has made it possible to measure the degree to which the Naim Group complies with the best practices in governance, and we have been delighted to discover that virtue does indeed have its own rewards.

Last year our commitment to good corporate governance was vindicated by the results of the 2006 Corporate Governance Survey Report, a joint study by the Minority Shareholder Watchdog Group and the University of Nottingham Business School. Naim was ranked top among Sarawak-based companies and second overall in the property sector, and in the top 10% overall for companies listed on Bursa Malaysia for demonstrating best practices in Corporate Governance. However, the results of the 2007 Corporate Governance Survey Report proved that our 2006 performance was no accident; **for in 2007 we were ranked top among Sarawak-based companies, top in the property sector, 12th overall and in the top 5% overall for companies listed on Bursa Malaysia for demonstrating best practices in Corporate Governance.**

We are of course delighted at this recognition of our efforts, but we will only be satisfied when we are ranked No.1 overall in Malaysia, and will continue our efforts accordingly. As part of this drive to further improve corporate governance, we have now brought our Corporate Social Responsibility activities (principally corporate philanthropy and environmental conservation and mitigation) under the oversight of our corporate governance mechanism (see Corporate Governance chapter). This will ensure that these activities are conducted responsibly and transparently, and offer maximum benefit to the Group and its stakeholders and to society at large. To the best of our knowledge, we are the first Malaysian company to do so.

## RECOGNITION OF OUR EFFORTS

We are delighted to note that the Group once again won the prestigious Malaysian Construction Industry Excellence Award (MCIEA 2007) under the Contractor Award: Grade G7. This was for successfully completing the Batang Balingian Bridge and Approaches in Mukah Division, Sarawak. The RM22.60 million bridge was handed over to Sarawak JKR on 25th May 2007, 13 months ahead of schedule with cost savings, zero defects and numerous innovative design features, and despite working under tight site constraints and unusually high water levels most of the time.

This is the first bridge in South East Asia to use the environmentally friendly Scrap Tire Wall for construction of the bridge approaches, the first to use in-situ stitching of the suspended t-beams allowing wider navigation passage for barges, and the first combination usage of launching truss and rail track with lifting arm for precision positioning of the suspended t-beams to avoid double handling and multiple adjustments.

We attribute the success of the project to effective project management, good teamwork, dedication and commitment of all parties, including our good working relationship with local government authorities, the Balingian Council, SESCo, Sarawak Rivers Board, the Department of Safety and Health, the Lands & Surveys Department and the Natural Resource & Environment Board.

## PROSPECTS FOR 2008 AND BEYOND

### The Economic and Political Background

The Sarawak economy is expected to enjoy stable market conditions throughout the coming financial year. The likelihood of a potential US recession having a major effect on the Malaysian economy has been discounted by Malaysian authorities such as Bank Negara Malaysia and MIER, as well as reputable international observers such as The Economist (see Prospects for the Malaysian Economy, pages 76 & 77). Thus continuing confidence in the Malaysian economy, combined with an absence of major destabilizing



# message to our sha

## message to our shareholders

factors, such as epidemics and international conflicts, should contribute to solid buyer confidence. Sarawak will continue to enjoy one of the fastest growing economies in the region.

The results of the recent General Election have also had a far less destabilizing effect than many commentators predicted, both at Federal and State Government levels. Increased opposition calls for transparency in government spending should only serve to benefit ethical, reliable and accountable contractors such as Naim, and increased public confidence in political accountability and the supremacy of the law should positively affect house buyer sentiment, contributing to a buoyant property market in Sarawak.

The effective and timely implementation of the 9th Malaysia Plan (9MP) is now more than ever a crucial litmus test for the Barisan Nasional government's ability to deliver on its promises. The 9MP should therefore provide abundant opportunities for the construction sector - especially companies such as ours with an excellent track record of performance and delivery - as well as contributing to the overall growth of the economy. Finally, the Sarawak Corridor of Renewable Energy (SCORE), targeting over RM300 billion of government and private sector investment over the next 20 years, offers remarkable long term opportunities for both the construction and property sectors.

### Property Division

**The Group has continued to expand its land bank throughout the year, and now has almost 2,800 acres to be developed, with a total estimated GDV of about RM5.0 billion.** This expanded land bank will allow the Group to further strengthen its position as Sarawak's leading developer.

In our last annual report, we noted that, according to leading property consultants CH Williams Talhar Wong and Yeo Sdn Bhd (1997-2004, WTWY Property Report 2005), the average annual demand for new residential properties in Sarawak would be around 15,800 per annum between then and 2010. In the Group's target markets, this broke down into 5,200 new homes per annum in the Kuching/Samarahan area, 2,800 new homes per annum in the Bintulu area, and 2,700 new homes per annum in the Miri area.

The Group is confident that WTWY's predictions are still realistic, despite consolidation of the Sarawak housing market, and it intends to generate increased sales through a variety of new strategies; targeting the mass housing market, improving designs and systems to enhance quality and reduce cost, and producing specially designed homes for niche markets (starter homes, senior citizens, etc.). See the Review of Operations for further details.

### Confidence-Boosting Factors

The Group continues to have great confidence in Sarawak's property market, for a variety of reasons, of which three stand out as being the most significant.

1. **Population Growth:** Sarawak's young, ambitious and upwardly mobile population is growing at between 3% and 5% per annum in urban areas and 2.5% overall, fuelled not only by a high birth rate, but also by substantial urban-rural migration as the state develops and industrializes (sources: Population & Housing Census Report, 9th Malaysia Plan). As a result, the state has the third highest level of overall housing requirements in Malaysia, at 65,000 units between 2006 and 2010. The only states with greater housing needs, namely Selangor and Johor, have far larger populations, and thus Sarawak enjoys the highest per-capita demand of the three (sources: 9MP, Credit Suisse).
2. **Spin-Offs from Major-Projects:** A number of major infrastructure projects should not merely provide secure and well-paying jobs for potential home buyers. They should also involve huge capital injections into the state's economy, enriching local entrepreneurs across a wide range of categories and providing liquid cash for property and real estate investment. Short to medium term benefits are anticipated from the Bakun and Murum Hydro Dams, Malaysia's largest pulp and paper mill, and the RM2 billion Salco aluminium smelter, as well as the dramatic expansion of the oil and gas industry. In the longer term, the RM300 billion SCORE project is expected to quadruple Sarawak's per capita income in real terms over a 20-year period, making home ownership an achievable reality for the vast majority of Sarawakians.



# reholders

3. Exemption from Real Property Gains Tax (RPGT)  
The Ministry of Finance granted all property owners - both individuals and corporations - full exemption from RPGT since 1st April 2007. This measure has been warmly welcomed by the entire property and construction sector, and has had a powerful impact on buyer confidence. Investors buying to let will only be taxed on their rental incomes, which can be offset against investment costs, and thus buy-to-let will become an increasingly attractive investment. Additionally, expatriates and "Malaysia My Second Home" participants, who usually prefer higher value accommodation, will find the prospect of buying rather than renting their homes increasingly attractive.

## Developing Property Investment Opportunities

To reflect this confidence, and to further capitalize on its position as Sarawak's No. 1 developer, the Group also plans to move into property investment throughout and beyond Sarawak. This will enable the Group to position itself not only as Sarawak's leading developer, but also as a genuine one-stop property shop, offering its customers a complete spectrum of property-related products and services, including real estate investment trusts (REITs).

## Medium Term Property Outlook

The group will continue to focus on and expand its mass housing activities, as well as moving into niche markets such as lifestyle housing and silver-hair programmes. Thus we anticipate that property sales and revenues can realistically treble over the next three to four years.

## Construction Division

We are equally confident of increased growth and profitability in the Group's construction and civil engineering activities. Ongoing projects continue to hit their respective targets either on schedule or ahead of schedule, and are expected to contribute to profits as previously forecast. We also achieved a very important milestone during the year; the Group has now completed and handed over more than RM1 billion of construction and civil engineering projects.

For the medium term, the Group's profits will be boosted by a number of major new contracts. The most important of these is the Kuching Flood Mitigation Scheme for the Drainage and Irrigation Department, Sarawak, for which a Letter of Intent was received during the year. According to the project design consultants, the scheme is likely to have a contract value in the region of RM1.3 billion (including land acquisition element), although it may be implemented in stages depending on state funding priorities and other considerations.

**The Group's total order book now stands at over RM3.4 billion, which will secure construction division profits for the next 3 or 4 years, and does not include projects currently being bid for.** However, in order to secure construction revenues and profits for the longer term, the Group is currently bidding for various major infrastructure projects, including oil and gas industry related projects, whose estimated value is RM8.0 billion over the next five years. See the Review of Operations for further details.

NOTE: The order book value of RM3.4 billion given above includes projects at the Letter of Intent (LOI) stage. Given its past track record and past experience, the Group is very confident that these LOIs will become firm orders, although this cannot be guaranteed.

## EXPLORING OPPORTUNITIES IN OIL AND GAS

The Group is seeking to diversify beyond mainstream government contracting and establish its presence in the rapidly expanding oil and gas sector. This is being done in order to further increase the long-term value of its construction and civil engineering activities, as well as to minimize business risks associated with a comparatively narrow client base. The group anticipates important synergies for the construction division from its recently acquired stake in associate company Dayang Enterprise Holdings Berhad. See the Review of Operations for further details.



# message to our sh

## message to our shareholders

### Associate Company - Dayang Enterprise Holdings Berhad

The Group acquired 45% of Dayang Enterprise Holdings Berhad (Dayang), one of Malaysia's leading oil and gas services groups, on August 27th 2007. As well as its commercial value, Dayang offers the Naim Group valuable business synergies and opportunities. The acquisition paid off immediately, **with Dayang contributing RM6.6 million (8.7%) of group profits for 2007, and producing 184 per cent increase in net profit for its second quarter of 2008 (Naim's Q108\*).**

Dayang became the first oil and gas services company from Sarawak to be listed on the Main Board of Bursa Malaysia Securities on April 24th 2008, and saw its public spread of 17.6 million shares oversubscribed by 839 per cent. The floatation gave Dayang a market capitalization of approximately RM510.4 million at the point of listing, with Naim retaining a controlling 34% stake (subsequently increased to 36%). Thus the Group's initial RM87.75 million in Dayang has almost doubled in value to RM174 million (based on issue price).

### CORPORATE IMAGE AND PUBLIC PROFILE

In 2006 the Group embarked on a comprehensive corporate communication and brand-building exercise which began to bear fruit during 2007. Of the various initiatives and activities planned, probably the most important was the opening of a new representative office in Kuala Lumpur during the second half of the year.

### ANTICIPATED RESULTS

Based on the activities, initiatives and market conditions outlined above, and barring any unforeseen circumstances, the Group is confident of achieving favourable results for 2008 and beyond.

### ACKNOWLEDGEMENTS

We would like to convey our sincerest thanks to our fellow directors and all the employees of Naim Group for their hard work and professionalism, and would like to extend the same sincere thanks to the directors and employees of Dayang Enterprise Holdings Berhad, our new associate company. We would also like to thank all the State and Federal Government Ministries, Departments, Statutory Bodies and Regulatory Agencies who have offered us such close cooperation and support during 2007. Heartfelt thanks are also due to our joint venture partners, sub-contractors, consultants, professional advisors and service providers, whose unstinting efforts have helped our Group to perform so well.

However the warmest thanks of all are due to our fellow shareholders. Whether you are large institutional investors working on behalf of millions, or small investors seeking to secure your retirement years or your children's education, we value every single Sen you have invested in our Group. We are delighted that you have given us and will continue to give us the opportunity to reward your strong faith in our abilities.

Finally, we would like to offer a special word of thanks to our customers - the various Government Departments who have entrusted us with key infrastructure and public housing projects, and the thousands of ordinary Malaysians who have bought their homes from us. You have not only contributed to our financial success; you have also helped to make Sarawak a better place to live, by endowing the state with first class infrastructure, and by transforming our development projects into vibrant living communities.

Thank you

Datuk Abdul Hamed Bin Sepawi  
Chairman

Datuk Hasmi Bin Hasnan  
Managing Director and Chief Executive Officer



**NAM CENDERA HOLDINGS BERHAD**  
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# review of operatio

## review of operations

Reviewed by Datuk Hasmi Bin Hasnan (Managing Director & Chief Executive Officer) and Dr Sharifuddin Bin Abdul Wahab (Deputy Managing Director)

### PROPERTY OPERATIONS

During 2007 we sold RM225 million worth of residential and commercial properties, compared to RM188.2 million in 2006. This improvement was primarily due to a partial recovery of the property market in Sarawak, although the improved performance of our sales force had a significant impact. Individual development projects and property activities are discussed in detail below.

#### Bandar Baru Permyjaya

Bandar Baru Permyjaya, our pioneering integrated satellite township in Miri, continues to be one of the most popular and successful suburban developments in Malaysia, and was once again our largest single property revenue earner. During the year in review 613 homes and commercial properties were sold to a value of RM126.8 million, compared to 703 units to a value of RM127.4 million in 2006. This result was fully in line with our sales targets for 2007.

#### Desa Ilmu

Desa Ilmu, the largest integrated development in Kota Samarahan, Kuching's hi-tech satellite town, has been an excellent performer but is now gradually reaching completion, so sales are therefore reducing on a year-by-year basis. Nevertheless we achieved sales of 148 units at a total value of RM26.1 million, well in excess of our initial forecast for the year.

#### Rock Commercial Centre

This 2.4-acre commercial development in one of central Kuching's busiest and most attractive locations comprises 17 shophouses and a large stand-alone retail space for an anchor tenant. As of 2007, we sold 10 units to a total value of RM13.5 million.

#### Desa Rampangi

Desa Rampangi is an 83-acre land package on the Santubong Peninsula, Kuching's booming northern leisure corridor. Strategically located next to the SPNB Sultan Tengah project (see Construction, below), Desa Rampangi will be developed once the public housing component of the Sultan Tengah mini-township is completed by our construction division.

#### Batu Lintang

Our valuable 34-acre land package at Batu Lintang, one of central Kuching's most desirable residential/commercial areas, is targeted for a series of phased executive developments.

#### Riveria

Located at the heart of Kuching's popular southern corridor, on 100 acres of attractive river frontage directly adjacent to the Kuching-Kota Samarahan road, Riveria has been popular with buyers since its launch in 2005. The area is already well established through existing developments such as the Tabuan area and Stutong Jaya, and a great deal of infrastructure, social and educational amenities and major employers are already in place. Riveria was our star performer in 2006 and once again proved its popularity in 2007, when we sold 217 units to a total value of RM60.5 million. This continuing success has established Riveria as one of the star attractions in our property portfolio.

#### Desa Labang

Currently at the planning stage, Desa Labang is one of the key assets for the Group's future growth. This huge land package of over 1,000 acres is ideally positioned to meet the growing housing needs of Bintulu, Sarawak's industrial powerhouse. With continuing growth in the petrochemical industry, plus a number of mega-projects slated over the next two decades (see Message to Shareholders), housing demand in Bintulu is set to grow rapidly, and buyer incomes are likely to increase accordingly.



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### Property Innovations

During 2007 we commenced work on a variety of new property development and marketing strategies, in order to maximize yields from our ongoing business, to mitigate against any recessionary impacts in the short and medium term, and to increase overall buyer appeal and profitability in the long term.

Foremost amongst these is our move towards developing a wider portfolio of property styles, effectively a “home menu”, offering greater consumer choice and allowing us to target a broader economic cross section of buyers and niche markets. We are also introducing new design specification and templates, which will improve design flexibility, reduce costs and lead times, and enhance quality and buyer appeal.

### Property Sales and Marketing

Our excellent performance during 2007 is partly attributable to an improvement in sales and marketing performance. During the year we reduced standing sales costs and increased sales results by migrating to a highly performance- and rewards-based remuneration strategy. Our 20-plus in-house sales force also received further training on assisting buyers with tasks such as obtaining loans, conveyancing, disposal of existing properties and so on, thus increasing buyer confidence. We also enhanced our response time to Internet enquiries, so that all Internet sales leads are now followed up the same day when received during office hours. In addition, we further incentivized our already successful customer sales referral scheme (Buyer Get Buyer) by providing cash commissions for successful referrals.

### CONSTRUCTION OPERATIONS

This has once again been an excellent year for the construction division, which contributed 57.58% of revenue

(RM372.72 million). This was RM100 million more than the division’s previous record contribution, RM 271.00 million in 2006.

### Completed Projects

Projects completed during 2007 had a combined value of RM156 million and - in the best Naim tradition - were completed on time or ahead of schedule.

#### Batang Balingian Road and Bridge

This RM34.9 million design and build project for the Government of Sarawak was completed 8 months ahead of schedule in June 2007. We were also able to reduce overall cost, and make a contribution towards conserving the environment, by using scrap vehicle tyres as the foundation material for the bridge approach roads. This project also won the MCIE Award for 2007, as described in the Message to Shareholders.

#### Cadangan Pembangunan Insitut Latihan Perindustrian (ILP) Miri (Phase 2)

Phase 2 of ILP Miri amounting to RM121 million was completed 54 days ahead of schedule, and comprised buildings & infrastructures as well as recreational facilities complementing the award-winning Phase 1. Both Phase 1 and Phase 2 of the project have now been benchmarked by the Ministry of Human Resources. The equipment component of the contract, amounting to RM88 million, involved the supply, delivery, installation, testing and commissioning of high-technology training and industrial equipment for the Institute’s workshops and training centres, and marked the first procurement and implementation project awarded to the Naim Group.





# review of operatio

## review of operations

### Ongoing Projects

As of December 2007, RM2.0 billion worth of projects were under construction, and all were progressing on target or ahead of schedule.

#### New Dewan Undangan Negeri (DUN) Complex

Undertaking the construction of the new seat of Sarawak's State Government is a 45/55 joint venture with PPES Works Sdn Bhd (PPES 55% and Naim 45%), with a total value of RM296.5 million. The symbolic crowning of the new DUN Complex Building took place on 6th September 2007 in a topping-up ceremony graced by dozens of Sarawak State Legislative Assembly members. The ceremony was performed by Chief Minister of Sarawak, Pehin Sri Haji Abdul Taib Mahmud, assisted by DUN Speaker Dato Sri Haji Mohammad Asfia Awang Nassar and both Deputy Chief Ministers, Datuk Patinggi Dr George Chan Hong Nam and Datuk Patinggi Tan Sri Alfred Jabu. At the time of writing, construction of this state-of-the-art building is on schedule for timely completion in September 2008.

#### Police General Operations Force Camp, Kuching

This major turnkey project for the Ministry of Internal Security comprises every component of a major operational, training and residential complex for the 700-strong Police General Operations Force contingent in Kuching. The project, located on a 320-acre site, involves the construction of a self-contained community of residential, administrative and support buildings, complete with telecommunications and network infrastructure. The project was completed and handed over in February 2008, a full month ahead of schedule.

#### Kuching-Sibu Road Upgrading (from Julau Junction to Sibu Airport Junction)

The upgrading of this key section of the Trans Borneo Highway involves road widening and improvement works in some of Sarawak's most challenging terrain. The project is currently on schedule to achieve its targeted delivery date of September 2009.

#### Kompleks CIQ, Limbang

The Limbang Customs, Immigration and Quarantine Complex for the Ministry of Home Affairs represents a departure from our usual strategy of targeting negotiated contracts. Our successful tender for this project indicates that we are as competitive on cost management as we are on quality and timely delivery. It also allows us to showcase the quality of our work to the large number of international travelers passing between Malaysia and Brunei. At the end of March 2008, the project was on schedule for timely completion in May 2008.

#### Maktab Rendah Sains MARA (MARA Junior Science College), Mukah

The result of another successful competitive tender, awarded in early 2006, this project comprises the construction of a main academic block, an administrative block, a multi-purpose hall, laboratories, libraries, workshops, student hostels, staff quarters and social and religious facilities, laid out in four distinct zones. The original project period was very tight, at only 24 months for a greenfield site, in which we had implemented a multi-staging surcharge process for the earthworks. The project is currently well within schedule for timely completion.



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### SPNB Affordable Housing

A turnkey project for Syarikat Perumahan Negara Berhad (SPNB), the Affordable Housing project involves the construction of almost 6,000 residential and commercial units in three separate locations in Sarawak. The affordable medium-cost homes are designed to offer lower income earners an excellent quality of life, in line with the Naim Group's philosophy of building not simply houses but vibrant living communities. The project is currently well on schedule for its target completion date.

### Upgrading of Mukah Access Road

Providing fast and direct access to one of Sarawak's fastest growing regions, this substantial project for Jabatan Kerja Raya (JKR) Sarawak will release the economic potential of Sarawak's coastal heartland when completed in July 2010. As well as extensive straightening and flattening of the existing road to provide a safe and pleasant driving experience, the project also involves the laying of a main water pipeline along the length of the road. We commenced on this 52km road project in July 2007, and it is currently ahead of schedule for timely completion.

### Construction of Bengoh Dam, Kuching

This 63 metre high by 267 metre long dam will have a capacity of 144 million cubic metres (1m<sup>3</sup> = 1,000kg or 1 tonne) and will produce a lake with a surface area of approximately 10km<sup>2</sup>. Designed to secure Kuching's water supply for the foreseeable future, the dam will be only the second in Malaysia to be constructed using Roller Compacted Concrete (RCC) technology, which offers a projected service life of 100 years. This major public works package also includes ancillary buildings, infrastructure and associated works, and resettlement of four communities with a total population of approximately 1,000. We commenced work during 2007, and expect to complete the project on schedule by December 2010.

### Future Projects

In order to avoid speculation and present a realistic order book valuation to shareholders, we have chosen to confine our descriptions of future projects to those for which we have already received a Letter of Intent (LoI) and/or further substantiating documents from the client(s). Any other projects for which we are currently bidding will be only be announced once they are provisionally awarded. At the time of writing, there is one major project at the LoI stage, with a value of RM1.3 billion.

### Flood Mitigation Works, Kuching

This project is currently at the final study and design revision stage, with actual construction work due to commence shortly. Our revised design (increasing the project value by approximately 30%) takes a holistic approach to floodwater management, and is capable of dealing with catastrophic, once-in-a-century flood events. The project will include a bypass channel, water retention ponds, buildings, telemetry equipment, sluice gates and other associated works. Construction is expected to take 60 months.



# review of operation

## review of operations

### OIL AND GAS DIVISION OPERATIONS

As the youngest member of the Naim business family, established in 2006, the Oil and Gas Division is still at the early development stage; obtaining the appropriate certifications and registrations, conducting market research, holding discussions with potential clients, and identifying possible joint venture partners. Thus far we have already achieved the status of a Petronas-licensed contractor (Major Construction and Civil Works), and have subsequently upgraded this license to include M&E.

We also formed a consortium with international pipeline fabrication specialists including the world-renowned NACAP Group, which pre-qualified to bid for the upcoming Sabah-Bintulu Gas Pipeline project. Although we managed to make the final shortlist of five consortia, we were unsuccessful in our bid. However, the lessons learned from

the bid process should put us in a far stronger position to bid for future projects, and we are currently targeting a number of substantial oil and gas contracts in Sabah and Sarawak.

The acquisition of a major stake in our new associate company, Dayang Enterprise Holdings Berhad (Dayang), also provides us with valuable new opportunities. Dayang's blue chip client base (Petronas Carigali, Sarawak Shell, Sabah Shell, ExxonMobil and US-based Murphy Oil) provides us with a ready-made network of top-level business contacts within the oil and gas sector. Our close relationship with Dayang also gives us the opportunity to propose and bid for the wider scopes after the Post Installation & Commissioning phases in the operation of the oil & gas fields and to offer integrated "build, maintain and service" packages to potential clients. As such, Naim's Managing Director, Deputy Managing Director and Vice President of Oil and Gas will all sit on the board of Dayang.

The current set up of the Oil & Gas Division is also intended to aggressively pursue and develop a synergy-driven type of approach to venture into other sectors/projects of the Oil & Gas activities both on the upstream and downstream; in other words, to forge suitable alliances with other players in the industry. The synergy partners shall be appropriately identified to suit the nature of projects in which we intend to participate. By pursuing these synergies and alliances we believe that, in the long run, Naim's Oil & Gas Division will be more than adequately equipped and able to position itself strategically to face the challenges of the industry.



### Associate Company - Dayang Enterprise Holdings Berhad

On August 27th 2007, the Group acquired 45% equity interests in Dayang Enterprise Sdn Bhd, DESB Marine Services Sdn Bhd and Fortune Triumph Sdn Bhd for an aggregate cash consideration of RM87,750,000. The acquisition was entirely amicable and conducted on a 100% willing buyer/willing seller basis, as the Boards of both groups recognised the valuable business synergies and opportunities offered by the acquisition. These companies were then brought under the umbrella of a new vehicle, Dayang Enterprise Holdings Berhad (Dayang), in which the group retained its 45% stake.



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The acquisition paid off immediately, with Dayang contributing RM6.6 million (8.7%) of group profits for 2007, and producing 184 per cent increase in net profit for its second quarter of 2008 (Naim's Q108\*) on the back of RM52.9 million in revenue. Dayang thus exceeded its own six-month forecast of RM18.1 million as year-to-date net profit stood at RM49.6 million.

\*Dayang has recently changed its financial year end from September to December.

On 24th April 2008, Miri-based Dayang became the first oil and gas services company from Sarawak to be listed on the Main Board of Bursa Malaysia Securities, and saw its public spread of 17.6 million shares oversubscribed a remarkable 8.39 times, or 839 per cent. The floatation gives Dayang a market capitalization of approximately RM510.4 million, based on the offer price and enlarged issued and paid-up share capital of 352 million shares. As a result of the listing, the Group retained a 34% stake in Dayang, which was subsequently increased to 36%. As noted in the Message to Shareholders, the IPO almost doubled the value of the Group's initial stake, to RM 174 million.

The listing exercise saw Dayang raise some RM124.5 million, and 41 per cent (RM51.45 million) of the proceeds will be used to part-finance the company's new vessel and purchase new machinery and equipment to take advantage of the rapid expansion in oil and gas exploration and development. The RM60 million balance will be used to fully redeem the company's Islamic Medium Term Notes. This substantial reduction in gearing will provide ease of access to financing for Dayang as and when suitable investment opportunities arise

Dayang is one of Malaysia's leading oil and gas services groups, with a top-drawer client base including Petronas Carigali, Sarawak Shell, Sabah Shell, ExxonMobil and US-based Murphy Oil. It has completed contracts totalling RM934 million, and has an order book worth approximately RM627 million. It has a brand new fleet comprising two purpose-built Maintenance and Accommodation Vessels and a Supply Vessel. Dayang's highly trained and certified 1,000-plus workforce provide Offshore Topside Maintenance of over 300 offshore platforms, and the company enjoys the highest profit margin amongst all its peers in Malaysia.

## BUSINESS DEVELOPMENT OPERATIONS

The Business Development function is one that targets potential future activities, and therefore much of what we do is either speculative, confidential or both. Nevertheless, we feel it is possible to give readers a meaningful overview of our business development strategies and activities without speculating on results or breaching commercial confidentiality,

Our current business development plan was drawn up in 2006 by the Management and covers a period of 5 years, from January 2007 to December 2011, and focuses principally on construction activities. For this period we have targeted the securing of RM7 billion worth of new contracts, and thus far we are on schedule to achieve our targets. For the longer term, beyond 2011, we are already evaluating potential projects under the 10th Malaysia Plan and the Sarawak Corridor of Renewable Energy (SCORE).

Another potential avenue for expansion is project management, which allows us to enter new markets, especially overseas, at comparatively low risk. Having entered these markets, we can then build links and partnerships to further explore possibilities in both the construction and property sectors. Therefore we are currently negotiating with a number of overseas governments and other prospective partners. We are also in the process of acquiring a project management company with an established track record, subject to a valuation and due diligence exercise by independent consultants.



# review of operations

## BOARD ACTIVITIES AND CORPORATE GOVERNANCE

In February 2007 Dr Sharifuddin Bin Abdul Wahab was appointed Deputy Managing Director and immediately assumed his responsibilities, focusing on enhancing the operational and business development aspects of our Group's activities.

Our former Senior Head of Construction, Mr Leong Chin Chiew, was also appointed to the Board in recognition of his valuable contribution to the Group's development. He assumed his duties as Vice President / Executive Director responsible for construction in March 2008.

During the year the Board resolved to bring the Group's Corporate Social Responsibility (CSR) activities under its full oversight as an integral component of the Corporate Governance function. A Corporate Social Responsibility Statement was issued and an Interim Environmental Policy is to be released in June 2008.

The Group strictly adhered to or exceeded all regulatory and advisory requirements relating to Corporate Governance during the year. Full details are described in detail on pages 41 to 52.

### Quality

Quality is the ultimate criterion by which our business success is judged, and therefore quality is "first amongst equals" in terms of our business development and corporate re-engineering priorities. We already owe a great deal of our success to excellent quality management, and the subsequent delivery of top quality products and services, a fact that is acknowledged by a string of quality awards over the last few years. During the year our Quality Division has audited and reviewed our existing ISO9001:2000 certifications, and has completed work on a 2-year Quality Plan to achieve ISO 1800 (OTTSM) and ISO 14001 (EMS) accreditations, which we anticipate will be awarded during the coming year.

## Information Technology

The adoption of new and emerging technologies gives the Naim Group a valuable competitive edge. It allows us to manage projects more effectively and to construct better homes, buildings and infrastructure. For this reason we devised a 5-year IT Plan in 2004, which has continued to be implemented throughout the year in review, with a total of RM4.0 million invested in infrastructure upgrades.

All projects are now managed using cutting-edge Primavera project management software; our property sales, marketing and management activities are run using IFCA Property Plus, and we have invested in Lotus Notes Domino Server to enable us to develop collaborative systems throughout the organization. We are also evaluating and assessing workflow management applications and land administration systems.

## MANAGEMENT AND ADMINISTRATIVE OPERATIONS

On the systems and hardware front we now have more than half a terabyte of storage capacity serving a group-wide intranet, which we are extending to the remotest locations using V-Sat technology.

To ensure successful adoption and buy-in by IT users, we are conducting change management programmes which focus on enabling and empowering all employees. As a result, we are now able to provide a comprehensive range of IT services to our staff, our customers, our suppliers and our subcontractors, including the following:

- Estimation and Bill of Quantities
- Property Sales
- Knowledge Database
- Risk Management
- Financial and accounting services
- Spam control
- Enhanced network security
- Online house sales and booking
- Document Versioning



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### Business Process Re-Engineering

Our Business Process Re-Engineering Programme, introduced in 2005, continued to be the focus of our corporate priorities. This exercise involves identifying, evaluating and documenting each and every process used in the course of our business, then streamlining and integrating these processes to optimise efficiency, effectiveness, responsiveness and flexibility. Our IT systems and workflow management are currently being re-aligned to fit the precise needs of the organisation and all the individuals working within it (rather than vice versa), to maximize user adoption and buy-in. This exercise is being implemented to fully prepare ourselves for whatever challenges the future may hold for us, as we look forward to a successful long-term future of hyper-productivity and enhanced profitability.

### Human Resources

Our 500-plus workforce continues to be our most important asset, and throughout the year we continued our ongoing programme of human resource development to ensure that we recruit and retain people who share the Group's vision, goals and objectives, and who also share fairly and equably in the results of their performance and our ultimate success.

## CORPORATE SOCIAL RESPONSIBILITY

### Health and Safety

Health and safety are of overriding concern to the directors, management and staff of the Naim Group, for both business and humanitarian reasons. Work-related illnesses and accidents delay projects, damage structures and equipment, and most importantly they cause injury,

pain and suffering to people. Our rigorously enforced Healthy Workplace and Zero Accident Policies once again yielded positive results, with no work-related illnesses or accidents being reported for the year in review (see also Corporate Social Responsibility on pages 64 & 65).

### Environmental Responsibility

The Group has actively pursued the development of a comprehensive Environmental Policy during the year. This policy addresses both current operations and future requirements and will be published during July 2008. From an operational point of view, all divisions continued to monitor their environmental impacts and adhere strictly to all regulatory requirements.

### Corporate Philanthropy

During the year the Group donated RM2.0 million to deserving causes, principally through the Amanah Saham Naim (Naim Trust Fund). This brings our cumulative total of corporate donations to some RM7.0 million since our listing in 2003.

The Group's CSR activities are described in greater detail on pages 64 & 65.

board of directors

# board of directors

## Chairman

### Datuk Abdul Hamed Bin Haji Sepawi

#### Chairman

Board Executive Committee  
Nomination Committee  
Business Development Committee

Datuk Abdul Hamed Bin Haji Sepawi, aged 59, was appointed as Chairman of Naim Cendera Holdings Berhad on 25th July 2003. Prior to the Naim Group's listing he was Chairman of Naim Cendera Sdn. Bhd. (since 12 October 1995). He received his early education at St. Columba's School, Miri and Malay College, Kuala Kangsar. He graduated with a BSc (Hons) from University of Malaya in 1971, pursued undergraduate studies in forestry at the Australia National University from 1974 to 1975, and later obtained an MSc in Forest Products from Oregon State University, USA.

Whilst remaining active in the timber and plantation industries, Datuk Abdul Hamed developed his career around his keen personal interest in the construction sector, which was first acquired through school vacation jobs in Miri. For more than 30 years, he has been active as an investor, a manager and a director in companies carrying out civil works, offshore engineering, construction, housing, and property development.

He was a member of the National Economic Consultative Council II and was awarded the title of Panglima Gemilang Bintang Kenyalang on 11th September 1999. He sits on the board of Sarawak Timber Industry Development Corporation, a state statutory body in Sarawak. He is the Executive Chairman of Ta Ann Holdings Berhad Chairman of Sarawak Energy Berhad, and director of Sarawak Plantation Berhad companies listed on Bursa Malaysia Securities Berhad.



## Managing Director Datuk Hasmi Bin Hasnan

### Chairman

Risk Management Committee  
Corporate Disclosure Committee

### Member

Audit Committee (resigned as member of  
the Audit Committee on 25th February 2008)  
Board Executive Committee  
Remuneration Committee  
Human Resource Operations Committee  
Business Development Committee  
Business Process Engineering Committee

Datuk Hasmi Bin Hasnan, aged 55, is the founder of Naim Cendera Sdn. Bhd., a wholly-owned subsidiary of Naim Cendera Holdings Berhad. He was appointed Managing Director of Naim Cendera Holdings Berhad on 25th July 2003. He graduated with a BSc in Estate Management from the London South Bank University, UK in 1978. He is a Senior Certified Valuer with International Real Estate Institute, USA and a member of FIABCI.

He began his career in 1979 as a valuer in the Land and Survey Department of Sarawak. Since 1982, he has been involved in a wide range of businesses, including valuation, project management, property development and management, construction, timber, manufacturing, trading and publishing. In June 1993 he became the Managing Director of Naim Cendera Sdn. Bhd. and has since been the main driving force behind the company's growth and expansion. He was awarded the title of Panglima Gemilang Bintang Kenyalang on 9th September 2000.

He is chairman of two listed companies, Sarawak Plantation Berhad and Dayang Enterprise Holdings Bhd, and director of 1 non-listed company, Naim Incorporated Berhad.



## board of directors

# board of directors

### Deputy Managing Director Dr. Sharifuddin Bin Abdul Wahab

#### Chairman

Human Resource Operations  
Committee

#### Member

Business Development Committee  
Board Executive Committee  
Business Process Engineering  
Committee  
Risk Management Committee  
Corporate Disclosure Committee

Dr. Sharifuddin Bin Abdul Wahab, aged 52, was appointed Independent Non-Executive Director on 25th July 2003 and was redesignated to Deputy Managing Director on 26th February 2007. He graduated with a Doctor of Veterinary Medicine degree from the University of Agriculture, Faisalabad, Pakistan in 1981.

He then pursued his postgraduate studies and obtained his Masters Degree from Universiti Pertanian Malaysia in 1983. He also holds a certificate in RIA techniques from Cornell University, United States of America. He began his career in the education field as a lecturer in Universiti Pertanian Malaysia in 1982 and was active in various research and development activities. He was awarded research grants from the International Atomic Energy Agency (IAEA) Vienna, Commonwealth Scientific and Industrial Research Organisation (CSIRO) Australia and later appointed as expert for Africa and South East Asia by the IAEA. He joined Schmidt Scientific Sdn. Bhd. from 1989 - 2005 and successfully restructured the Biomedical business in Malaysia. He was appointed the Executive Director of Schmidt Vietnam Co Ltd from 1995 - 1998. He was promoted to the position of Regional Managing Director in 1999. He was also the Chief Executive Officer of Schmidt BioMedTech Asia Ltd., a multinational company with presence in over ten countries in Asia.

He left Schmidt BioMedTech Asia Ltd on 15th February 2007. He was re-appointed as an Independent Director for Schmidt BioMedTech Asia Ltd. on 26th February 2007. He also holds directorships in several private limited companies.

He is also director of a listed company, Dayang Enterprise Holdings Bhd, and a non-listed company, Naim Incorporated Berhad.

### Senior Vice President / Executive Director Ahmad Bin Abu Bakar

#### Member

Board Executive Committee  
Risk Management Committee  
Human Resource Operations  
Committee  
Corporate Disclosure Committee  
Business Process Engineering  
Committee

Ahmad Bin Abu Bakar, aged 54, was appointed Executive Director of Naim Cendera Holdings Berhad on 6 February 2006. He is a member of both the Chartered Association of Certified Accountants (ACCA) and the Malaysian Institute of Accountants (MIA). He is principally responsible for overseeing the financial management and operations of the Group.

Prior to joining the Group, he held senior positions, amongst others are Group Financial Controller/Director, Executive Director - Operations, Chief Operating Officer/Director, in other multinational companies. He has worked for Malaysia Credit Finance Berhad, Fima Metal Box Bhd, DMIB Berhad, Sime Darby Group, Land and General Berhad. He has considerable experience in the finance, hotel, plantation, construction and property development industries.



Dr. Sharifuddin Bin Abdul Wahab

Ahmad Bin Abu Bakar

**Senior Vice President /  
Executive Director  
Ir. Suyanto Bin Osman**

**Member**

Board Executive Committee  
Risk Management Committee  
Business Development Committee  
Business Process Engineering  
Committee

Ir. Suyanto Bin Osman, aged 50, was appointed Executive Director of Naim Cendera Holdings Berhad on 25th July 2003. He is responsible for the overall performance of the business development and construction of the Group. He holds a BSc in Civil Engineering from the University of Manchester Institute of Science & Technology, UK. He is a registered Professional Engineer with the Board of Engineers, Malaysia and also a member of the Institution of Engineers Malaysia and the Project Management Institute (PMI).

He started his career as an Engineer with the Public Works Department from 1981 to 1987. In 1988, he joined Dewan Bandaraya Kuching Utara (DBKU) as Deputy Director where he was responsible for the overall control of the planning and development of Kuching City, Sarawak. He later joined HAPM Consultant in 1995 as Executive Director where he was the Project Director of various mega-projects including the 77 Storey Headquarters Building of Telekom Malaysia (RM700 million), the Bakun Resettlement Scheme (RM300 million), Multimedia University Cyberjaya (RM350 million) and University Malaysia Sarawak (RM1 billion). He joined wholly owned subsidiary Naim Cendera Sdn. Bhd. in April 2003.

**Senior Vice President /  
Executive Director  
Kueh Hoi Chuang**

**Member**

Risk Management Committee  
Human Resource Operations  
Committee  
Business Development Committee  
Business Process Engineering  
Committee

Mr. Kueh Hoi Chuang, aged 52, was appointed Executive Director of Naim Cendera Holdings Berhad on 25th July 2003. He holds a Bachelor of Arts degree from the University of Guelph, Canada, and is a member of the Institute of Approved Company Secretaries.

Mr Kueh has been involved in the property and construction industry since his graduation in 1983.

He was initially employed by Custodev Sdn. Bhd., where he specialized in property management, development and construction. He joined wholly owned subsidiary Naim Cendera Sdn. Bhd in 1993 and rapidly rose through the ranks. He was head the Naim Group's property division, responsible for the development of the Group's flagship projects at Bandar Baru Permyjaya in Miri and Desa Ilmu and Riveria in Kota Samarahan. He also has extensive sales and marketing experience in properties developed under his leadership. In January 2008 he has been assigned to take charge of the trading and land acquisition divisions.

He is a director of Naim Incorporated Berhad, a non-listed public company.



Ir. Suyanto Bin Osman

Kueh Hoi Chuang

## board of directors

# board of directors

### Vice President / Executive Director Abang Hasni Bin Abang Hasnan

Encik Abang Hasni Bin Abang Hasnan, aged 57 was appointed Executive Director of Naim Cendera Holdings Berhad on 25th July 2003. He received his early education in Government Secondary School, Kanowit and later pursued studies in carpentry and joinery and obtained a Certificate from City & Guilds of London Institute. In 1972 he attended a technical course in wood processing and mechanical and engineering equipment at British Columbia Institute of Technology, Canada.

From 1967 to 1983 he worked as an Instructor to the Forest Department, Kuching. From 1983 to 1988 he joined Equatorial Timber Moulding Sdn. Bhd. as Assistant Factory Manager. Thereafter he was employed as Production, Research & Development Manager by Gegasan Sdn. Bhd., a company involved in timber related business. In January 1997 he joined Naim Cendera Sdn. Bhd. as Executive Director incharge of QA/QC and HSE for the group.

### Non-Executive Director Ir. Abang Jemat Abang Bujang

#### Chairman

Remuneration Committee  
Business Process Engineering  
Committee

#### Member

Human Resource Operations  
Committee

Ir. Abang Jemat Abang Bujang, aged 55 was appointed Independent Non-Executive Director on 25th July 2003. Presently he is Non-Executive Director. He holds a Bachelor of Engineering (Electrical) from Newcastle University, New South Wales, Australia. He is a registered Professional Engineer with Board of Engineers, Malaysia and also a member of the Institute of Engineer, Malaysia. He was awarded the Pingat Perkhidmatan Bakti (PPB) in 1997.

He joined Telekom Sarawak as a Telecommunication Engineer from 1979 to 1986 and assumed the post of Director from 1987 to 1990. He was the General Manager of Telekom Malaysia from 1995 to 1999. He joined TM Cellular Sdn. Bhd. as Chief Executive Officer from 1999 to 2000. He is currently the Managing Director and Chief Executive Officer of Sacofa Sdn. Bhd.



Abang Hasni Bin Abang Hasnan

Ir. Abang Jemat Abang Bujang

**Senior Independent  
Non-Executive Director  
YB Tuan Haji Hamden  
Bin Haji Ahmad**

**Chairman**  
Audit Committee

**Member**  
Nomination Committee  
Risk Management Committee

YB Tuan Haji Hamden Bin Haji Ahmad, aged 59 was appointed Independent Non-Executive Director on 25th July 2003. He is a Chartered Accountant and obtained his membership of the Association of Chartered and Certified Accountants (ACCA) from the London School of Accountancy, United Kingdom in 1979. He is a Fellow of ACCA.

He started his career as a Chief Accountant attached to Sarawak Land Development Board, Sarawak from 1978 to 1982. He later set up his own accounting firm, Hamden Kiu dan Rakan Rakan in 1983. Currently he is an elected member of Dewan Undangan Negeri Sarawak and holds directorships in several private limited companies.

He is also Director of Sarawak Plantation Berhad, a company listed on Bursa Malaysia Securities.

**Independent Non-Executive  
Director  
Datu Haji Abdul Rashid  
Bin Mohd Azis**

**Member**  
Audit Committee  
Nomination Committee  
Human Resource Operations  
Committee  
Remuneration Committee

Datu Haji Abdul Rashid Bin Mohd Azis, aged 62, was appointed Independent Non-Executive Director on 16th February 2005. He graduated with a Master in Business Administration from Brunel University, UK. He also holds a Diploma in Management Science (Finance), Institut Tadbiran Negara Malaysia (INTAN); Certificate of Executive Programme AIM and Senior Executive Fellows Programme, Harvard University, USA. He joined the Sarawak Administrative Service in 1965.

He worked in Government Service for 40 years and has held various senior posts in Government Departments and Statutory Bodies until he retired from service in December 2005. Datu Haji Abdul Rashid Bin Mohd Azis is currently the Deputy Chairman of Yayasan Sarawak and he is also the Board member of Sarawak Economic Development Corporation (SEDC).

He was director in Sarawak Electricity Supply Corporation (SESCO); Sarawak Widows & Orphans Pension Fund (WOPF); alternate member to State Secretary Sarawak in Employees' Provident Fund (EPF) Board; Aseambankers (M) Berhad; Tradewinds (Malaysia) Berhad and member of Majlis Islam, Sarawak.

He is currently the Chairman of the Charitable Trust, Bandar Sri Aman Mosque; and member of Yayasan Budaya Melayu Sarawak.



YB Tuan Haji Hamden Bin Haji Ahmad



Datu Haji Abdul Rashid Bin Mohd Azis

## board of directors

# board of directors

### Independent Non-Executive Director Sylvester Ajah Subah @ Ajah Bin Subah

#### Member

Audit Committee

Remuneration Committee

Sylvester Ajah Subah @ Ajah Bin Subah 65, was appointed Independent Non-Executive Director on 26th February 2007. He graduated with a Diploma in Town and Country Planning in 1968 from Technical College, Kuala Lumpur and a Diploma in Town and Country Planning in 1975 from Glasgow School of Arts. He started his career as an Assistant Planning Officer in Land & Survey Department, Sibul from 1969 to 1973. In May 1975 to 1977 he served as a Town Planning Officer in Land & Survey Department, Miri.

In 1978 he was transferred to Land & Survey Department, Sibul. Mr. Sylvester joined Bintulu Development Authority (BDA) in 1979 as a Town Planning Officer. He was seconded to the Ministry of Resource Planning for 10 years from 1983 to 1993 as a Senior Planning Officer and also as Advisor to the State Planning Authority.

In 1994 he was promoted to the post of General Manager and held the position until his retirement in year 2001. As General Manager of BDA he was responsible for managing development projects in Bintulu including development of industrial estates, low cost housing, infrastructure projects and other public, social and recreational amenities.

He is a Board member of Melanau Trust Board.

### Independent Non-Executive Director Professor Abang Abdullah Bin Abang Mohamad Alli

Professor Abang Abdullah Bin Abang Mohamad Alli, 56, was appointed Independent Non-Executive Director on 15 May 2007. Professor Abang Abdullah graduated with a Bachelor of Science (Hons) degree in Civil Engineering from the University of Brighton in 1974 and a Master of Science degree in Structural Engineering from the University of Manchester in 1975. He is a Registered Professional Engineer (PEng) with the Board of Engineers, Malaysia, a Chartered Engineer (CEng) with the Engineering Council, United Kingdom and an Honorary Fellow of the ASEAN Federation of Engineering Organisations (HonFAFEO). He is also a Fellow of the Institution of Engineers, Malaysia (FIEM), Institution of Civil Engineers, United Kingdom (FICE), International Ferroccent Society (FIFS), Academy of Sciences, Malaysia (FASc), ASEAN Academy of Engineering & Technology (FAAET). He is currently the President of the Federation of Engineering Institutions of Islamic Countries (FEIIC) and the Malaysian Society for Engineering and Technology (MSET). He is a Past President of the Institution of Engineers, Malaysia (IEM).

Professor Abang Abdullah began his career as a lecturer at Universiti Putra Malaysia on 29th January 1976, promoted to Associate Professor in 1982 and full Professor in 1987. He was upgraded to Senior Professor (Special Grade B) in 1995. At the same time he was made Deputy Dean, Faculty of Engineering in 1981 and Dean in 1982.



Sylvester Ajah Subah  
@ Ajah Bin Subah

Professor Abang Abdullah  
Bin Abang Mohamad Alli

He was Chairman of the Malaysian Council of Engineering Deans and had been holding various positions in the public and private sectors such as Design Engineer in Malaysian International Consultants in 1981/82 and Perunding Bakti Sdn Bhd in 1978. He served as a Board Member of Malaysian Highway Authority (LLM) and Board of Engineers, Malaysia (BEM).

He was elected as an Honorary Adviser to Master Builders Association, Malaysia (MBAM) and Chairman of CIDB Steering Committee on Industrialised Building System. He holds various key positions in the following institutions:-

- i) Adviser of a Proposed King Abdullah University of Science and Technology (KAUST), Saudi Arabia since 2006.
- ii) Adjunct Professor at Universiti Malaysia Sarawak since 2005.
- iii) Board/Council member of Universiti Kuala Lumpur (UniKL) since 2002.
- iv) Board member of National Accreditation Board (LAN) since 1997
- v) Director of Housing Research Centre (HRC), Universiti Putra Malaysia since 1996.
- vi) Board Member, Polytechnic Curriculum Board, Ministry of Higher Education since 2002.

In addition, he has written a book on Industrialised Buildings Systems (IBS) and has been involved on various research on housing and construction technology, specifically in the areas of low cost materials of construction, light-weight concrete, utilization of Malaysian bamboos as an engineering material, materials and structures, interlocking load bearing hollow block building system (Putra Block), which has been granted US, UK and Malaysian patents, industrialised building

systems and affordable quality housing. Professor Abang Abdullah and his research team won a gold medal for the Putra Block at the International Exhibition of Inventions and Innovations, Geneva, Switzerland on 4th April 2001. He was also awarded CIDB R&D Award for research on the Putra Block Building System.

### Vice President / Executive Director Leong Chin Chiew

Mr. Leong Chin Chiew, aged 46, was appointed Executive Director of the Company on 12 March 2008. Mr. Leong holds a Bachelor of Applied Science majoring in Quantity Surveyors from Curtin University of Technology, Western Australia. He is a registered Quantity Surveyor with the Board of Quantity Surveyors, Malaysia and also a member of the Institute of Surveyors, Malaysia.



Leong Chin Chiew

During the past 21 years, he has gained extensive experience in project management and construction and was involved in many building and infrastructural projects in Sarawak.

He joined Contract Services Consultants as a Quantity Surveyor from 1998 to 1990. In 1990 he moved to Shinsung Corporation (Construction), a Korean construction firm, as Project Quantity Surveyor. He joined Naim Group in March 1995 as Head of Infrastructure and Works. During his tenure of office in Naim, he held various portfolios ranging from Project Manager, Deputy Project Director, Project Director, Head of Construction to Senior Head of Construction. Under his leadership, the construction team won numerous CIDB awards.

Please refer to page 137 for Directors' securities holdings in the Company.

Save for Abang Hasni Bin Abang Hasnan who is the brother of Datuk Hasmi Bin Hasnan, there are no other family relationship between the Directors and/or major shareholders of the Company.

All Directors are Malaysians.

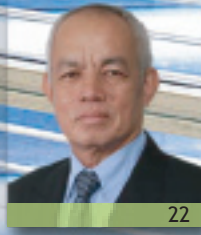
None of the Directors have been convicted for any offences.

Please refer to page 42 for Directors attendance at board meetings held during the financial year.

# senior management team

- 1) Datuk Hasmi Bin Hasnan  
Managing Director/CEO
- 2) Dr. Sharifuddin Bin Abdul Wahab  
Deputy Managing Director
- 3) Ahmad Bin Abu Bakar  
Senior Vice President/Executive Director
- 4) Suyanto Bin Osman  
Senior Vice President/Executive Director
- 5) Kueh Hoi Chuang  
Senior Vice President/Executive Director
- 6) Abang Hasni Bin Abang Hasnan  
Vice President/Executive Director
- 7) Leong Chin Chiew  
Vice President/Executive Director
- 8) Ricky Kho Teck Hock  
Vice President/Director of  
Corporate Affairs & Investor Relations
- 9) Tan Teck Kian  
Vice President of Property
- 10) Bong Siu Lian  
Company Secretary
- 11) Bong Siew Khim  
Vice President of Quantity Surveying
- 12) Gordon Kab @ Gudan Bin Kab  
Vice President of Oil & Gas
- 13) Christina Hii Doh Yiew  
Vice President of Accounts & Finance
- 14) Haji Radzali Bin Haji Alision  
Vice President of Market Intelligence
- 15) Abet bin Abang Mataim  
Vice President of Special Assignments  
& Operations
- 16) John Carpenter  
Technical Advisor
- 17) Tony Lau Hiang Chu  
Head of Research

- 18) Christina Wong Ping Eng  
Head/Manager of Miri Operations
- 19) Affendi Sapiee  
Head of Internal Audit
- 20) Joseph Lee Han Sian  
Head of Information Technology
- 21) Victor Yee Jiunn Shyan  
Head of Costing Management
- 22) Charles Arthur Bateman  
Senior General Manager
- 23) Haji Abdul Razak Bin Ahmad Marzuki  
Senior General Manager
- 24) Haji Abdul Rahman Bin Abdul Rahim  
Senior Manager of Business Development
- 25) Haji Abdullah Bin Mohd Mahyuddin  
Senior Manager of Business Development
- 26) Tan Teck Jong  
Senior Manager of Human Resource
- 27) Mohd Ashraf Bin Abdullah  
Senior Project Manager
- 28) Janang Sawing  
Senior Project Manager
- 29) Muzamry Dato' Mohamad  
Senior Legal Advisor
- 30) Ir. Wan Mohamad Su'ut Bin Wan Moss  
Project Manager (Special Project)
- 31) Patrick Chieng  
Manager of Quality Assurance
- 32) Dayang Horyati  
Manager of Business Development
- 33) Bedindang Nalong  
Manager of Health, Safety & Environment
- 34) Tony Paulus Vitus  
Manager of Quality Control
- 35) Haji Abdul Jalal bin Abdul Rahim  
Group Credit Controller



# audit committee

## Members

The Audit Committee comprises the following:-

### YB Tuan Haji Hamden Bin Haji Ahmad

- Chairman  
Senior Independent Non-Executive Director

### Datu Haji Abdul Rashid Bin Mohd Azis

- Member  
Independent Non-Executive Director

### Sylvester Ajah Subah @ Ajah Bin Subah

- Member  
Independent Non-Executive Director

### Datuk Hasmi Bin Hasnan

- resigned as member of the Audit Committee on 25<sup>th</sup> February 2008)  
Managing Director

### Dr. Sharifuddin Bin Abdul Wahab

- resigned as member of the Audit Committee on 26<sup>th</sup> February 2007)  
Deputy Managing Director

The Audit Committee is the Board's primary tool for exercising guardianship of shareholder value and imposing the highest standards of ethical behaviour. It is responsible for ensuring the financial statements are timely and fairly reflect the Group's on-going financial position.

The Audit Committee currently comprises solely Independent Non-Executive Directors as follows:-

Category	No. of Directors	Percentage
Independent Non-Executive Director	3	100%
Executive Director	0	0%
Total	3	100%

## Attendance at the Audit Committee Meetings

The Audit Committee met six (6) times during the year 2007 and the details of attendance are as follows:-

Audit Committee Members	No. of Meetings attended	Attendance (%)
YB Tuan Haji Hamden Bin Haji Ahmad	6/6	100
Sylvester Ajah Subah @ Ajah Bin Subah	5/5	100
Datu Haji Abdul Rashid Bin Mohd Azis	6/6	100
Datuk Hasmi Bin Hasnan (resigned as member of Audit committee on 25 February 2008)	4/4	100
Dr. Sharifuddin Bin Abdul Wahab (resigned as member of Audit Committee on 26 February 2007)	1/1	100

External auditors, internal auditors and relevant management staff are invited to attend the Audit Committee meetings to discuss the results, the audit findings and financial reporting issues where appropriate.

The Independent Non-Executive Directors of the Audit Committee also met twice in executive session with the external auditors but without the presence of the executive member of the Committee and the management.

## Activities of the Audit Committee

The main activity of the Audit Committee is to assist the Board in fulfilling its oversight responsibility relating to the financial matters of the Group. The activities of the Audit Committee during the financial year under review included the following :-

- 1) Reviewed and discussed audited financial statements and the quarterly unaudited financial statements with management and both external and internal auditors to ensure compliance with the generally accepted accounting principles and Financial Reporting Standards.
- 2) Discussed with auditors matters required to be discussed on the Statement on Internal Control.
- 3) Based on the satisfactory review and discussion referred to in 1 and 2 above, the Audit Committee recommended to the Board of Directors
  - a) that the audited financial statements be approved for tabling at the shareholders' meeting; and
  - b) that the quarterly unaudited financial statements be approved for announcement to Bursa Malaysia Securities.

- 4) Reviewed recurrent related party transactions and non-recurrent related party transactions. The Audit Committee will report to the Board its review on all commercial relationships between each director, major shareholders and persons connected and the Naim Group on a quarterly basis. When such commercial relationships exist the Audit Committee and the Board will ensure that such transactions are on normal commercial terms that are not more favourable to the related parties than those generally available to the public.
- 5) Reviewed and discussed the internal audit plan, scope of work and reports.
- 6) Reviewed and discussed the audit plan, scope of work and reports with the external auditor.
- 7) Reviewed and pre-approved the external auditor's fees and services.
- 8) Reviewed the assistance given by employees to the external auditor.

## INTERNAL AUDIT DEPARTMENT

The Group is served by an in-house Internal Audit Function. The department is headed by a chartered accountant. The internal audit staff all possess tertiary qualifications in the fields of accountancy and/or information technology. Each year, internal auditors were required to attend at least 48 hours of training to enhance their knowledge, skills and other competencies. Extensive testing and monitoring of transactional data across the organization has also been made possible, as the Group acquired an advanced audit software package during the year 2007.

### Functions:

The functions of the Internal Audit Department are as follows:

- ▶ Analyse and examine whether the Group's operational activities are effective.
- ▶ Evaluate and ensure that procedures are in place to safeguard Group assets.
- ▶ Provide assurance on compliance to statutory requirements, laws, Group policies and guidelines.
- ▶ Assisting and facilitating management in establishing a proper risk management framework, assessing risks and monitoring the effectiveness of the risk management programme and ensuring the adequacy of the internal control system.
- ▶ Recommend appropriate controls to overcome deficiencies and to enhance Group operations.
- ▶ Confirming information through research and gathering information that is competent, factual and complete.
- ▶ Conducting special examinations and reviews at the request of the audit committee, the board of directors or the management.

### Authority:

To accomplish its objectives, the internal auditor is authorised to have unrestricted access to the Group's operations, functions, records, properties and personnel.

### Independence:

The internal audit function is independent of the activities it audits and is required to perform its functions with impartiality and due professional care. The internal audit function reports directly to the audit committee. In addition, the audit committee assesses and determines the performance of the Head of Internal Audit.

### Duties and Responsibilities:

Each year the Internal Audit Department will develop and execute an audit plan to be conducted during the year. Reports on the internal audit activities will be made to the Audit Committee every quarter.

The report will include the annual audit plan and; independent analyses, appraisals, counsel, and information on the activities being reviewed.

Any cases of fraud, which demand urgent attention, shall be reported to the Chairman of the Audit Committee and the Managing Director immediately upon discovery by the audit staff.

### Scope of Internal Audit Coverage:

The following were the internal audit reports submitted by the Internal Audit Department during the financial year ended 31 December 2007:

1. Follow-up audit on Inventory Management for Naim Cendera Dua Sdn Bhd and Naim Cendera Sdn Bhd.
2. Supply of equipment to Institut Latihan Perindustrian Miri, Sarawak.
3. Variation orders for Desa Ilmu Sdn Bhd (DISB) property development projects.
4. Fixed assets management for Naim Cendera Sdn Bhd.
5. Payroll audit on monthly tax deductions (PCB).
6. Payroll audit on monthly Employees Provident Fund (EPF) contributions.
7. Payroll audit on basic salary and overtime payout for Naim Engineering Sdn Bhd's daily and hourly paid workers.
8. Risk management system for Naim Group of Companies.
9. Quality audit on properties at Desa Ilmu Sdn Bhd.
10. Other audits pertaining to project management for various construction projects as requested by the board and management.

During the year, reviews on the existing internal controls covered under the audit plan revealed that they were generally satisfactory. In areas where controls were deemed lax, additional measures have been instituted to address the weakness in the system.

# audit committee

## AUDIT COMMITTEE - TERMS OF REFERENCE

Terms of Reference for the Audit Committee are as follows:-

### Objectives

The objectives of the Audit Committee are to: -

- a) provide assistance to the Board in fulfilling its fiduciary responsibilities particularly in the areas of internal control systems and financial reporting;
- b) provide meetings and communication between non-Executive directors, the internal auditors, the external auditors and the management to exchange views and information, as well as confirm their respective authority and responsibilities;
- c) undertake such additional duties as may be appropriate to assist the Board in carrying out its duties.

### Composition

The Audit Committee shall be appointed by the Board from among their number and shall comprise no fewer than three (3) members. All members must be Independent Non-Executive Directors and at least 1 member must be MIA member.

If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board shall within 3 months of the event, appoint such number of new members as may be required to fill the vacancy.

### Authority

The Audit Committee shall have:-

- a) the authority to investigate any activity within its terms of reference and it shall have unrestricted access to any information relevant to its activities from employees of the Naim Group. All employees are directed to cooperate with any request made by the Committee.
- b) the necessary resources required to carry out its duties and it is authorized to obtain independent professional advice as it considers necessary.

### Duties and Responsibilities

The Audit Committee shall undertake the following duties and responsibilities:-

- a) Internal Audit
  - i) Review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;

- ii) Evaluate the internal audit programmes, processes, the results of internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function.

- b) External Audit

- i) Review with the external auditors their audit plan, scope of audit and their audit reports;
- ii) Evaluate the system of internal controls;
- iii) Evaluate the performance of external auditors and to make recommendations to the Board of Directors on their appointment and remuneration.

- c) Audit Reports

- i) To consider the major findings of internal investigations and management's response.
- ii) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of Management, where necessary)

- d) Financial Reporting

Review the quarterly and annual financial statements of the Naim Group for recommendation to the Board of Directors for approval, focusing particularly on:-

- i) changes in or implementation of major accounting policy changes;
- ii) significant and unusual events; and
- iii) compliance with accounting standards and other legal requirements.

- e) Related Party Matters

Review the related party transactions and the conflict of interest situations that may arise within the Naim Group including any transaction, procedures or course of conduct that raises questions of management integrity. They are also required to ensure that the Directors report such transactions annually to the shareholders via the annual report.

- f) Other Matters

To consider such other matters as the Committee deems appropriate or as authorised by the Board of Directors.

### Meetings

Meetings shall be not less than 4 times a year. A quorum shall consist of 2 members.

The members of the Audit Committee shall elect a Chairman from among their number.

The Secretary of the Committee shall be the Company Secretary.

# corporate governance

**A Note on Terminology:** Naim Cendera Holdings Berhad is the ultimate holding company for Naim Cendera Sdn Bhd and other subsidiary companies, as well as their respective subsidiaries. As the principles and practices of good corporate governance apply not only to the ultimate holding company but also all of its subsidiaries, we have chosen to forego the use of the term “Company” in this statement, and instead use the term “Group”, which encompasses all companies operating under the control of Naim Cendera Holdings Berhad.

## INTRODUCTION

Naim believes that the maintenance of high standards of corporate governance is essential in achieving business success. The Group and the Board of Directors are committed to continuing good corporate governance practices. The Group has always been dedicated to the highest standards of business integrity and is continually taking steps to reinforce and uphold the commitment towards best practices and a transparent and open corporate governance framework within the organization. The Group’s corporate governance structures are also dependent on and fully in accordance with legal and regulatory norms and requirements.

The Board of Directors shall continue to play the central role in the Group’s relationships with its main stakeholders, namely the shareholders, employees, customers, suppliers, financial institutions, regulators and the community.

Both the Group and the business areas in which it operates have been experiencing unprecedented growth and change. As reported in our previous annual report, the key forces driving future change are all related to the creation of shareholder value. For example, visionary business leaders are realizing that social integration helps to position their companies for greater success; consumers are willing to pay more for a product or brand that supports a good cause, and institutional investors are increasingly governed by ethical and philanthropic constraints. Thus we are currently witnessing the emergence of corporate philanthropy and socially responsible business decisions as investments in business opportunities rather than erosion of a company’s profitability. Naim has always practiced corporate philanthropy, both as an investment in business opportunities and as an essential part of an ethical business culture. Therefore this new business trend augurs well for the future prospects of the group.

It is the responsibility of the Board to conduct the business of the Group conscientiously and in the interests of all stakeholders. Thus the Board’s main objective of maximizing long-term economic value shall and will remain the core principle encompassing change. The Board shall continue to recognize the importance of corporate governance and is managing and prioritizing corporate governance as a crucial part of the value creation process. Thus future corporate governance strategies shall endeavour to reflect the perspective of multiple stakeholders while enhancing the overall strategic position of the Group.

## BOARD OF DIRECTORS

The Board of Directors plays a vital role in corporate governance. It is the responsibility of the Board to provide entrepreneurial leadership and to develop long-term strategy for the group, endorsing the organisation’s strategy, develop policy, appoint and remunerate directors and senior staff, and ensure accountability to the shareholders and the relevant authorities.

The Board has the overall obligation to act in the best interests of the shareholders and to protect the shareholders’ investment, whilst at the same time taking into account the interests of other stakeholders (see Introduction, above) in a fair and ethical manner

The Board is also responsible for the strategic operational planning of the business, reviewing, approving significant financial strategic plans and annual operating plans and monitoring the implementation and execution of the plans.

## BOARD COMPOSITION AND BALANCE

The number of Directors shall be determined by the Board within the limits as prescribed in the Articles of Association of not more than fifteen (15), taking in consideration the size and breadth of the business and the need for Board diversity.

During the year under review, following the re-designation of Dr. Sharifuddin Bin Abdul Wahab from Independent Non-Executive Director to Deputy Managing Director, two Independent Non-Executive Directors were appointed to fulfill the requirement that 1/3<sup>rd</sup> of the Board be independent. The changes in Board structure are summarized in the table below:-

Category	Before		After	
	No. of directors	%	No. of directors	%
Executive Directors	5	50	6	50
Non-Executive Directors	2	20	2	17
Independent Non-Executive Directors	3	30	4	33
Total	10	100	12	100

In view of the rapid expansion in the construction division, Mr. Leong Chin Chiew was appointed as an additional Executive Director of the Group on 12<sup>th</sup> March 2008 to fulfill the newly created position. The impact on the Board structure, size and balance of Board’s composition in relation to the Listing Requirements following the

# corporate governance

appointment of Mr. Leong Chin Chiew as Executive Director of the Company are summarized in the table below.

Category	No. of Directors	%
Executive Directors	7	54
Non-Executive Directors	2	15
Independent Non-Executive Directors	4	31
<b>Total</b>	<b>13</b>	<b>100</b>

#### Notes:

Paragraph 15.02, Bursa Malaysia Securities Listing Requirements requires 1/3<sup>rd</sup> of the Board to comprise of independent directors. If the Number of directors is not 3 or a multiple of 3, then the number nearest 1/3<sup>rd</sup> shall be used.

Currently, the Board comprises 54% Executive Directors and 46% Non-Executive Directors. Of the 46% Non-Executive Directors 67% (31% of the total Board) are independent. The Board is made up of a diverse group of individuals with broad experience and accomplishments in property, construction, project management and business development, and all have a proven track record of exercising sound business judgment.

More than half of the Board comprises Executive Directors who are also involved in the management of the Company.

The Executive Directors, Managing Director and Deputy Managing Director monitor and oversee the performance of the senior management team, which is charged with the day to-day management of the Group's business as follows:-

- 1) Strategic, Implementation and operational planning  
Providing entrepreneurial leadership and developing

short term and long term strategic plans for proposal to the Board. Implementing and executing approved plans and recommending changes thereto.

- 2) Managing risk  
Prudent and effective controls to enable risk to be assessed, controlled and managed.
- 3) Financial reporting  
Financial reporting to ensure that the necessary financial and human capital are utilized to meet the objectives and review plans and performance against budget.

Independent Non-Executive Directors do not participate in the routine operations of the Group, but bring unbiased guidance to the Group. They constructively challenge and at the same time contribute to the development of strategies. They scrutinize the performance of management in meeting approved budgets and monitor the reporting of performance. Being independent of management and free of any business or other relationship, they are therefore able to promote arm's-length oversight and at the same time bring independent thinking, views and judgment to bear in decision making. The Board monitors the independence of each Director on a half yearly basis, in respect of their interests disclosed by them.

All Non-Executive Directors draw upon their professional knowledge, background, and experience - especially advice they get from outside the Group and/or through the personal and business relationships they have developed - to help the Board tackle its related challenges.

YB Tuan Haji Hamden Bin Haji Ahmad, Senior Independent Non-Executive Director, shall continue to act as a liaison between the investment community and the Group's management and the Board. His email contact is [hamden.a@naimcendera.com](mailto:hamden.a@naimcendera.com).

## BOARD MEETINGS

The Board is responsible for determining the number of meetings to be held each year. During the year under review, the Board met 4 times. Details of Board Members' attendance at Board meetings are as follows:-

Name of Director	Date of Appointment/Resignation	Number of Board Meetings attended	Percentage
Datuk Abdul Hamed Bin Sepawi	Appointed on 25 July 2003	4/4	100%
Datuk Hasmi Bin Hasnan	Appointed on 25 July 2003	4/4	100%
Dr. Sharifuddin Bin Abdul Wahab	Appointed on 25 July 2003	4/4	100%
Ahmad Bin Abu Bakar	Appointed on 6 February 2006	4/4	100%
Ir. Suyanto Bin Osman	Appointed on 25 July 2003	4/4	100%
Kueh Hoi Chuang	Appointed on 25 July 2003	4/4	100%
Abang Hasni Bin Abang Hasnan	Appointed on 25 July 2003	4/4	100%
YB Tuan Haji Hamden Bin Haji Ahmad	Appointed on 25 July 2003	4/4	100%
Ir. Abang Jemat Bin Abang Bujang	Appointed on 25 July 2003	4/4	100%
Datu Haji Abdul Rashid Bin Mohd. Azis	Appointed on 16 February 2005	4/4	100%
Sylvester Ajah Subah @ Ajah Bin Subah	Appointed on 26 February 2007	2/3 *	67%
Professor Abang Abdullah Bin Abang Mohamad Alli	Appointed on 15 May 2007	2/2	100%
Leong Chin Chiew	Appointed on 12 March 2008	N/A	N/A

\* Absent with apology

The Board meets at least once every quarter for the purpose of reviewing the Group's past quarterly financial performance against its annual operating plan, budget, future strategy and business plans. Members of the management team and/or advisors will schedule presentations during Board and Committee meetings, in order to provide the Board and/or Committee with additional information that might be considered appropriate with respect to issues, projects, that require decisions of the Board.

## DELEGATION AND DIVISION OF BOARD RESPONSIBILITIES

Matters reserved for the Board and those delegated to management are dependent on the nature of the responsibilities and the authority limits. The division of responsibilities between the Board and management therefore varies with the evolution of the Group. Management governance framework includes leadership, strategic direction, roles, processes & policies, authority limits and accountability.

Separation of duties of the Chairman and Managing Director is vital. The division of responsibilities ensure a balance of power and authority. The Chairman chairs all Board meetings and is responsible for the overall leadership of the Board, whereas the Managing Director and Deputy Managing Director oversee and monitor the performance of the Executive Directors and the senior management team and are charged with the day to day conduct of the Group's business.

However, at Board meetings the Chairman and the Managing Director share a common role of providing leadership and guidance to the Board, facilitating effective contributions from Board members to ensure proper deliberation of all matters requiring the Board's attention.

All Board members are required to attend Board meetings. The Board also invites the external auditor, senior management staff and company secretaries to attend the meetings when appropriate. Other consultants and visitors may also be invited to attend the meetings from time to time.

A total of nine Board Committees assists the Board in its deliberations (see Board Committees, below, for further details). Each Committee reports to the Board on a regular basis, and keeps the Board fully informed of its respective activities, decisions and recommendations.

## BOARD AND MANAGEMENT RESPONSIBILITIES

The Board is primarily responsible for formulating policies and strategies to maximize long term shareholder value. Generally, the Board and Senior Management are collectively responsible for the value creation process to achieve the Group's long-term strategic goals, and for overseeing the Group's performance.

Management is responsible for developing the Group's strategic plan, whereas the Board is responsible for guiding the strategic direction, challenging management's

strategic plan, revising budgets where deemed appropriate, and reviewing the business plan and budget.

Once the business plan is approved by the Board, management is responsible for its implementation. Each division has its own strategic plans, alternative plans, contingency plans, which identify the risks that would hamper the achievement of the targets, identify the human factor(s) required, and monitor the performance of the division on an on-going basis.

The Group's governance framework has been designed to enable the Board to oversee effective management and to provide strategic direction.

The Board of Directors reviews the Group's long-term strategy annually. It also approves the business plan, operating budget, capital expenditure budget and financing plans annually.

The Managing Director and Deputy Managing Director evaluate senior management performance against those plans and budgets on a monthly basis. The Board reviews the financial performance of the Group on a quarterly basis and it is fundamentally responsible for exercising business judgment, deliberating on value creation objectives of long-term significance to the Group, and evaluating performance of the management team annually against budget or target and other benchmarking tools deemed relevant, such as earnings per share against competitors in similar industries, return on investment, return on equity, return on total assets against prevailing interest rates, etc

Corporate governance is evolving into a complex system with a broad range of activities. Therefore the Group is developing systems and technologies to manage processes that identify priorities for value creation, to manage and track performance progress and to keep track of all related documents and information. Notwithstanding the introduction of any such systems and technologies, however, Board and Committee meetings will continue to take place, in order to define budgets, plan activities, review progress reports and make key decisions.

## SUPPLY OF INFORMATION

Prior to every scheduled Board meeting, appropriate written materials relating to the Agenda to be discussed at the meeting will be circulated to all directors.

Presentations are scheduled during Board and Committee meetings by management and/or consultants and advisors in order to provide the Board with proper understanding of, and competence to deal with, the current and emerging issues of the Group's business. Management prepares such information in advance of each Board and Committee meeting to allow for adequate review and preparation.

In addition, each Director shall have complete and open access to officers and employees of the Group.

The Deputy Managing Director, Executive Director (Finance & Operations) and Company Secretaries are responsible for the preparation and circulation of Board papers.

# corporate governance

## CORPORATE RESPONSIBILITIES STATEMENT

The Group's corporate responsibilities are thus summarized as follows:

"To consider, monitor and ensure that our operations continue to have a positive impact on our employees, the communities we work in, and the environment that nurtures us, and to promote trust and mutual respect amongst our customers and all other stakeholders."

## ACCESS TO ADVICE AND INFORMATION

The Board, its Committees and Directors are allowed and encouraged to seek independent or professional advice, at the Company's expense, on any matter they consider crucial to facilitate a business judgment and decision. However, before exercising this right they are required to discuss the issue with the Chairman and Managing Director to ensure that the interests of the Company are not jeopardized and that confidentiality is maintained.

All Directors have full, free and unrestricted access to the Senior Management, Company Secretaries, Accountants, Internal and External Auditors at all times.

All Directors are provided with timely and complete information on Board affairs and issues requiring Board's decision. Management also provides progress reports relating to operational and financial performance of the Group. See also Supply of Information, above.

## RESTRICTION ON DEALING IN SECURITIES

Directors and Principal Officers are discouraged from dealing in the Company's securities during closed periods, i.e. from the period commencing one month prior to the targeted date of announcement of the quarterly results up to one full market day after the announcement.

Additionally, no dealing in the Company's securities is allowed from the time that price sensitive information is obtained up to one full market day after the announcement of the information to the public. Price sensitive information is defined as any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

## APPOINTMENTS TO THE BOARD

Whenever a vacancy occurs in the Board, either by a creation of a new post or the resignation or retirement of an existing director, acting on the recommendation of the Nomination Committee, the Board appoints a director until the next annual general meeting of shareholders.

The Nomination Committee shall be responsible for selecting, assessing, evaluating and recommending nominees for director position. Each nominee will be evaluated on his competency in the mix of business skills and commercial acumen that will best complement the Board's effectiveness, knowledge, time commitment taking into consideration the number of Board meetings in which he sits, strategy and vision that commits to the interest of stockholders, mature judgment, professional qualification(s), management ability and conflict of interest.

Candidates for Non-Executive Director positions will also be assessed on the number and nature of directorships held in other companies, independence of the candidate pursuant to Bursa Malaysia Listing Requirements, and the calls on their time from other commitments, in order to ensure their full contribution as effective Board members.

The Nomination Committee also reports to the Board all past 2 years' commercial relationships and conflicts of interest (if any) between the Group and the nominated candidate for the Board's appointment.

Only candidates possessing the highest standards of personal and professional ethics and integrity, practical wisdom and mature judgment, and who are committed to representing the interests of the stockholders at all times, will be considered for recommendation to the Board for appointment.

Upon appointed by the Board, the newly appointed director is required to complete the Mandatory Accreditation Programme ("MAP") within 4 months from the date of his appointment.

The Nomination Committee also reviews changes to the structure of the Board in light of the Listing Requirements and the Malaysian Code of Corporate Governance pertaining to composition of the Board and its Board committees.

## RE-ELECTION OF DIRECTORS

All Directors, including the Managing Director, retire by rotation once every three years. Retiring Directors may offer themselves for re-election to the Board at the Annual General Meeting.

In addition, any newly-appointed Director will submit himself for retirement and re election at the Annual General Meeting immediately following his appointment pursuant to Article 92 of the Articles of Association. Thereafter he shall be subject to the one-third rotation retirement rule.

Directors retiring by rotation are set out below :-

Director	Position	Age	Last Year due for Retirement	Year due for Retirement
Datuk Abdul Hamed Bin Sepawi	Non-Executive Chairman	59	2007	2010
Datuk Hasmi Bin Hasnan	Managing Director	55	2007	2010
Dr. Sharifuddin Bin Abdul Wahab	Deputy Managing Director*	52	2008	2011
Ahmad Bin Abu Bakar	Executive Director	54	2006	2009
Ir. Suyanto Bin Osman	Executive Director	50	2007	2010
Mr. Kueh Hoi Chuang	Executive Director	52	2008	2011
Abang Hasni Bin Abang Hasnan	Executive Director	57	2006	2009
YB Tuan Haji Hamden Bin Haji Ahmad	Senior Independent Non-Executive Director	59	2006	2009
Ir. Abang Jemat Bin Abang Bujang	Non-Executive Director	55	2006	2009
Datu Haji Abdul Rashid Bin Mohd. Azis	Independent Non-Executive Director	62	2008	2011
Sylvester Ajah Subah @ Ajah Bin Subah	Independent Non-Executive Director	65	2007	2010
Professor Abang Abdullah bin Abang Mohamad Alli	Independent Non-Executive Director	56	2007	2010
Leong Chin Chiew (Appointed on 12 <sup>th</sup> March 2008)	Executive Director	46	2008 <sup>#</sup>	2011

\* redesignated from Independent Non-Executive Director to Deputy Managing Director on 26<sup>th</sup> February 2007

<sup>#</sup> Article 92 requires that “any Director so appointed (to fill a casual vacancy or as an addition to the existing Directors) shall hold office until the next annual general meeting ... and shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.”

## DIRECTORS' TRAINING

### Continuing Education Programme

All Directors have fully complied with the CEP requirements. Newly appointed Directors have attended the Mandatory Accreditation Programme (MAP) within the prescribed timeframe as stipulated by Bursa Malaysia Securities.

Directors who attended training during the year under review, and a brief description of the training, are listed as follows:

Name of Director	Description of Training
Datuk Abdul Hamed Bin Sepawi	· Addressing Challenges/Issues to a Better Naim
Datuk Hasmi Bin Hasnan	· Addressing Challenges/Issues to a Better Naim
Dr. Sharifuddin Bin Abdul Wahab	· Addressing Challenges/Issues to a Better Naim
Ahmad Bin Abu Bakar	· Addressing Challenges/Issues to a Better Naim · Malaysia PFI Programme - An Update on Latest Developments & The Way Forward (3 <sup>rd</sup> Annual Conference)
Ir. Suyanto Bin Osman	· Addressing Challenges/Issues to a Better Naim · Going Global: Challenges and Opportunities · Finance for Non Finance Managers
Kueh Hoi Chuang	· Addressing Challenges/Issues to a Better Naim
Abang Hasni Bin Abang Hasnan	· Sarawak 4 <sup>th</sup> International Quality Congress 2007
YB Haji Hamden Bin Haji Ahmad	· Adopting Corporate Social Responsibility Initiatives
Ir. Abang Jemat Bin Abang Bujang	· Adopting Corporate Social Responsibility Initiatives
Datu Haji Abdul Rashid Bin Mohd. Azis	· Accounting for Construction Contracts and Property Development Activities
Sylvester Ajah Subah @ Ajah Bin Subah	· Mandatory Accreditation Programme (MAP)
Professor Abang Abdullah Bin Abang Mohamad Alli	· Mandatory Accreditation Programme (MAP) · Accounting for Construction Contracts and Property Development Activities
Leong Chin Chiew (Appointed on 12 <sup>th</sup> March 2008)	· N/A

# corporate governance

## BOARD COMMITTEES

The Board has established 9 Board Committees as follows:

### Board of Directors

Board Executive Committee
Nomination Committee
Remuneration Committee
Audit Committee
Risk Management Committee
Human Resource Operations Committee
Business Development Committee
Business Process Engineering Committee
Corporate Disclosure Committee

The establishment of Committees is to assist the Board in the execution of its duties, to allow detailed consideration of complex issues, and to ensure diversity of opinions, suggestions and recommendations from the Committees. Each Committee is given a written charter with specific roles and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. The Committees are to ensure effective Board processes, structures and roles, including Board performance evaluation by the Nomination Committee. All matters determined by the Committees are promptly reported to the Board, through its chair, as opinions and/or recommendations for Board decisions.

Membership of each committee shall be determined by the Board acting on the recommendation of the Nomination Committee. It is the view of the Board that the size of each Committee and the blend of skills and experience of its respective members are sufficient to enable the Committees to discharge their responsibilities in accordance with the charter. Members of each Committee are drawn from the Board and from the Group's senior management team, based on their respective skills, responsibilities and areas of expertise.

The Nomination Committee shall periodically review the committee assignments and make recommendations to the Board for rotation of assignments and appointments as appropriate. The Chairman of each Committee will develop the agenda for each meeting and will determine the frequency of the meetings.

Summary of committee membership is as follows:-

Name of Committee Member	AC	NC	RC	RM	HRO	BD	BE	BPE	CDC
Datuk Abdul Hamed Bin Sepawi		Chairman ✓				Chairman ✓	Chairman ✓		
Datuk Hasmi Bin Hasnan			✓	Chairman ✓	✓	✓	✓	✓	Chairman ✓
Dr. Sharifuddin Bin Abdul Wahab				✓	Chairman ✓	✓	✓	✓	✓
Ahmad Bin Abu Bakar				✓	✓		✓	✓	✓
Ir. Suyanto Bin Osman				✓		✓	✓	✓	
Kueh Hoi Chuang, Vincent				✓	✓	✓		✓	
YB Tuan Haji Hamden Bin Haji Ahmad	Chairman ✓	✓		✓					
Ir. Abang Jemat Bin Abang Bujang			Chairman ✓		✓			Chairman ✓	
Datu Abdul Rashid Haji Azis	✓	✓	✓		✓				
Sylvester Ajah Subah @ Ajah Bin Subah	✓		✓						
Gordon Kab @ Gudan Bin Kab				✓	✓	✓		✓	
Kho Teck Hock, Ricky								✓	✓
Jeffrey Sim Lai Hee (resigned as Senior Human Resource Manager on 31 <sup>st</sup> March 2008)					✓			✓	
Bong Siu Lian									✓
Hii Doh Yiew, Christina				✓					
Affendi Sapiie, IA				✓					

## Notes

IA	: INTERNAL AUDITOR
AC	: AUDIT COMMITTEE
NC	: NOMINATION COMMITTEE
RC	: REMUNERATION COMMITTEE
RM	: RISK MANAGEMENT COMMITTEE
HRO	: HUMAN RESOURCE OPERATION COMMITTEE
BD	: BUSINESS DEVELOPMENT COMMITTEE
BE	: BUSINESS EXECUTIVE COMMITTEE
BPE	: BUSINESS PROCESS ENGINEERING COMMITTEE
CDC	: CORPORATE DISCLOSURE COMMITTEE

## BOARD AND DIRECTORS' PERFORMANCE EVALUATION

The performance of the Board is evaluated by the Nomination Committee and reviewed by the full Board. The evaluation is done by a scoring system with weights being assigned to each component of critical issues.

The performance of each individual Director is reviewed by the Remuneration Committee in relation to other Board members' remuneration and "market gap". The results are discussed with the Chairman and approved by the Board.

## CORPORATE DISCLOSURE POLICY

It is the policy of the Group to ensure informative, timely, accurate and complete disclosure of material information concerning Naim to the public. Naim recognizes that all investors, whether individual investors or institutional shareholders, shall have equal access to material information through the widest possible publicly disseminated disclosure.

Corporate Disclosure Policies and Procedures have the following objectives:

- 1) To raise awareness about, and provide guidance to management concerning the Group's disclosure requirements and practices.
- 2) To provide guidance and structure in disseminating corporate information to, and in dealing with, investors, analysts, the media and the investing public;
- 3) To ensure compliance with legal and regulatory requirements on disclosure of material information.

The Non-Executive Chairman and the Managing Director and Head of Corporate Affairs are designated as the main contacts for analysts, investors, the media and others seeking information on financial and business matters. All Directors shall refer all formal and informal requests for information, comment, meetings, interviews or other questions from external sources to the Non-Executive Chairman and the Managing Director. Authorised spokespersons shall not disclose material information that has not been previously made public.

The Company's website has been regularly updated including with Bursa Malaysia Securities releases.

## SHAREHOLDER COMMUNICATION

The Group has formalized corporate disclosure policies and procedures on communication with stakeholders.

The Company communicates with shareholders by way of the Annual Report, regular press releases, by announcing its quarterly results and through periodical Company announcements to the market in general. The level of disclosure adopted in the Annual Report and quarterly results are designed to go beyond the statutory obligations, in order to serve as an effective means of communication and information on the Group's operations.

In addition, the investment community, comprising individuals, analysts, fund managers and other stakeholders, have dialogues with the Group's authorized representatives (the Chairman, Managing Director and Head of Corporate Affairs) on a regular basis. This enables the investors to get a balanced understanding of the main issues and concerns affecting the Group.

Annual General Meetings have been a main forum for dialogue with shareholders. Ample opportunities are given to shareholders to raise questions and/or seek clarification on the business and performance of the Group.

The Company adheres to the following main principles in its investor relations:-

- ▶ thoughtful analysis of our market value relative to estimates of our intrinsic value, that is, the present value of our group based on a series of future expected net cash flows and RNAV.
- ▶ ensuring that all information divested to our investors is consistent with our strategies, plans and actual performances;
- ▶ providing transparency on our operations and performance; and
- ▶ understanding our investor base and their requirements.

## OTHER GUIDELINES

The authority limits as per the Group Procedures and Authorities (GPA) and Sub-contract awarding procedures shall continue to be amended and adapted to the changing needs of the Group's operational activities whilst maintaining an adequate level of necessary checks and balances.

The primary objective is to expedite the approval process via a systematic delegation of authority to senior management staff, with alignment of functions and sub-functions according to operational needs and supported by a proper set of checks and balances. As the Group grows and/or the focus of its operation shifts, the appropriate oversight and control systems may have to be reviewed and changed. Formalized structures, processes and procedures encourage and support everyone to work in conformity and deter those who might be tempted to go outside the guidelines.

# corporate governance

## BUSINESS ETHICS

Business ethics aims at inculcating a sense of responsibility within the Group's employees on how to conduct business. The field of business ethics is vast, encompassing areas such as corporate governance reputation management, reliable accounting and audits, and has now extended to new domains such as corporate social responsibility.

The Group's Code of Ethics guides the behaviour and performance of all Employees and Directors. It sets forth the basic principles on how we conduct ourselves in our dealings with customers, employees, suppliers, partners, competitors and the community, seeking to improve every facet of our business through processes and procedures designed to optimise all our resources and expand opportunities. In addition, the Code helps ensure that all those who deal with the Group are aware that they are dealing with a world-class company that adheres to high ethical, moral and business standards.

The Code was drawn up based on four core values - INTEGRITY, HONESTY, RELIABILITY and RESPONSIBILITY - to our employees, customers, suppliers, communities and our shareholders.

The Code of Ethics will evolve over time, and new values may emerge as the Company adapts itself to a changing business environment. Nevertheless, the Code will continue to govern our organizational culture and corporate and individual behaviour, to encourage higher standards of business and professional integrity while at the same time aligning effective business performance with ethical business conduct.

As important as the Code is, the Group recognizes that no set of written rules can substitute for the good judgment, common sense and professional integrity that has always been expected of all Naim personnel in the course of their professional and personal activities.

## CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

As businesses continue to recognize the interdependence between business growth and sustainable development, the challenge now is how to run the organisation in a responsible manner and maintain a position of trust through action.

Naim's commitment to CSR is echoed in its Corporate Responsibilities Statement as mentioned above. Naim recognises that the business has an effect in the work place, on the environment, in the community and amongst society as a whole.

Naim shall continue to give top priority to Occupational Safety and Health (OSH) especially in construction sites. The Group strives to achieve a continual improvement in the OSH standards. The Group has worked hard to maintain and raise the standards. Among the key strategies is

increasing the budget allocation for OSH to increase its manpower resources, for training, purchasing safety gadgets etc. To effectively enforce the OSH standards at construction sites, the Group imposes warnings and penalties to force employees of sub-contractors to abide to the most stringent OSH standards.

The environment policy is the key part of environmental management. The organisation now has to assess the environmental impact, the ecosystems and the natural resources directly and indirectly affecting the Group's operation and products. Being environmentally responsible means safeguarding these systems and resources for future generations.

Naim will continue to develop the culture of care for the environment and it is slowly integrating the concept of "eco-homes" into its product range. The Eco-homes concept works on a broad range of environmental issues, including resources used, impact on the environment, quality of life, and health and safety of the internal built up environment. Homes that are constructed taking advantage of the surrounding natural flora, fauna and watercourses are commanding a higher premium, and on this note the Group are creating landscaped gardens, parks and water features as part of the environmental rehabilitation program. The latest concepts introduced are guarded and gated communities, to safeguard our buyers' security in light of the increasing crime rates in the region, streamline maintenance and waste management etc. The Group also aims to minimize any detrimental effects on the environment through its cleanliness campaign, and is implementing measures to prevent pollution arising from its work in the form of concrete, soil, silt, diesel solvents, sewage and noise on the surrounding areas and to residents.

Details of the social and operational perspectives of CSR are provided in page 64 & 65 of this Annual Report.

## COMPENSATION OF DIRECTORS

The Remuneration Committee is responsible for formulating the compensation arrangement for the Managing Director, Deputy Managing Director and other Executive Directors of the Company. The remuneration packages are structured to link rewards to corporate goals and individual performance.

Upon consultation with the Non-Executive Chairman, the Remuneration Committee formulates the remuneration of the Managing Director. Remuneration packages for the Deputy Managing Director and Executive Directors will be determined by the Independent Directors of the Remuneration Committee upon consultation with the Managing Director.

The remuneration for executive directors comprises 2 parts, i.e. fixed and variable remuneration components. The fixed component is the basic salary whereas the variable component relates to incentives tagged to targets and outcomes and the ability to contribute to the long-term

strategy of the organisation.

The key objectives of the Company's policy on executive directors' remuneration are as follows:

- 1) to attract and retain executives of the highest calibre;
- 2) to reward them at the prevailing market rate; and
- 3) to reward them in a way which promotes the creation of shareholders' value through a performance pegged to remuneration package, i.e. Key Performance Indices.

The Company's policy for non-executive directors is basically to offer remuneration adequate to attract and retain individuals of the appropriate calibre who are able to apply sound independent judgment based on extensive professional experience and knowledge.

Non-Executive Directors shall be eligible for the fixed component but they are not eligible to participate in the variable performance-linked incentive scheme.

Non-Executive Directors are entitled to 2 kinds of remuneration

- 1) meeting allowance or special allowances when called upon to perform extra services or when giving special attention to the business of the Group and
- 2) directors' fee recommended by the Board and approved by shareholders in the Annual General Meeting.

As aforementioned, Executive Directors are paid salary and bonus and they are entitled to other allowances, if deemed appropriate, but they are not entitled to meeting allowances and fees.

No director is involved in determining his own remuneration.

Details of remuneration paid to each Director for the financial year ended 31<sup>st</sup> December 2007 are as follows:

	Basic Salary RM'000	Emoluments RM'000	Allowance RM'000	Fees paid by Company* RM'000	Fees paid by Subsidiary RM'000	Benefit- in-kind RM'000	Total RM'000
<b>Executive Directors</b>							
Datuk Hasmi Bin Hasnan	1,246	414	-	-	6	50	1,716
Dr. Sharifuddin Bin Abdul Wahab (Redesignated as Deputy Managing Director on 26 February 2007)	1,050	126	-	109	-	76	1,361
Ahmad Bin Abu Bakar	380	130	-	-	-	71	581
Ir. Suyanto Bin Osman	503	171	-	-	-	36	710
Kueh Hoi Chuang	364	119	-	-	4	19	506
Abang Hasni Bin Abang Hasnan	143	49	-	-	-	19	211
Leong Chin Chiew (appointed on 12th March 2008)	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>							
Datuk Abdul Hamed Bin Sepawi	-	-	857	-	-	94	951
YB Tuan Haji Hamden Bin Haji Ahmad	-	-	-	132	-	-	132
Ir. Abang Jemat Bin Abang Bujang	-	-	-	109	-	-	109
Datu Haji Abdul Rashid Bin Mohd Azis	-	-	-	109	-	-	109
Sylvester Ajah Subah @ Ajah bin Subah (appointed on 26 February 2007)	-	-	-	-	-	-	-
Professor Abang Abdullah Bin Abang Mohamad Alli (appointed on 15 May 2007)	-	-	-	-	-	-	-
<b>Total</b>	<b>3,686</b>	<b>1,009</b>	<b>857</b>	<b>459</b>	<b>10</b>	<b>365</b>	<b>6,386</b>

\* Directors fee for year 2006

# corporate governance

## MANAGEMENT SUCCESSION

Management succession is implemented to ensure the availability and sustainability of capable executives who are ready to assume primary or critical roles.

The Remuneration Committee will oversee a process whereby the qualities and characteristics necessary for effective Board leadership are reviewed and updated, and will implement advance planning for contingencies affecting Executive Directors and the Managing Director. On the other hand, the Deputy Managing Director, Executive Directors and Human Resource Operation Committee shall ensure that the same process pertaining to management succession be applied to senior members of management.

## FINANCIAL REPORTING

Responsibility for the preparation of financial statements and reports has been delegated to the management, under the supervision of the Director of Finance and Operations. However, the Board of Directors through the Audit Committee will determine that the reports fairly present the Group's financial position and the results of its operations. At the same time, the Audit Committee has to ensure that the financial statements are prepared in accordance with the appropriate and applicable Malaysian statutory accounting requirements and drawn up on a consistent basis supported by prudent judgments and estimates.

The Audit Committee meets on a quarterly basis. The internal auditor, external auditor and relevant management staff are invited to attend the Audit Committee meetings to discuss the results of the audit examinations and financial reporting matters.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors is required by the Companies Act 1965 to prepare financial statements which give a true and fair view of the state of affairs of the Group as at the end of each financial year and of the results and cash flows of the Group for the financial year.

The Board of Directors accepts responsibility for the integrity, objectivity and reliability of the financial statements of the Group. All books and accounting records have been kept to support this. The Board of Directors upholds the principle of transparent reporting and delegating the responsibility for the preparation of the financial statements to the management.

The Board is pleased that adequate internal controls and systems are maintained for providing a reasonable assurance that assets are safeguarded based on policies and procedures implemented. The annual financial statements have been prepared on the following basis:-

- ▶ compliance with the approved accounting standards, provisions of the Companies Act 1965 and the Bursa Malaysia Securities Berhad Listing Requirements;
- ▶ consistent application of the appropriate and relevant accounting policies;

- ▶ reasonable prudent judgment and estimates; and
- ▶ on the going concern basis.

## INTERNAL CONTROL SYSTEMS

The internal controls which set out approval limits for capital expenditure, investments, bank borrowings and cheque signatories are arranged at the Board level. Approval sub limits are also provided at management level to facilitate operational efficiency. The internal controls are designed to provide reasonable assurance that transactions are conducted in accordance with management's authority and that the assets are adequately protected against material loss or unauthorized acquisition, use or disposition, and that the transactions are properly authorized and recorded. The internal control systems are described in full in the **Statement of Internal Control** on page 63 of this annual report.

## RELATIONSHIP WITH AUDITORS

The functions of the Audit Committee in relation to the external auditors and internal auditors are set out in pages 38 to 40 of this Annual Report.

## ADDITIONAL COMPLIANCE

In compliance with the Listing Requirements of Bursa Malaysia Securities, the following information is provided hereunder.

### Share Buy-Back

Total cumulative treasury shares carried forward from previous year is 5,509,400 shares.

No shares were bought-back during the financial year ended 31 December 2007

No resale of treasury shares took place during the financial year ended 31 December 2007.

No shares were cancelled during the financial year ended 31 December 2007.

### Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year under review.

### American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programmes during the year under review.

### Sanctions and Penalties

There were no sanctions or penalties imposed on the Company, its subsidiaries, directors and management during the financial year.

## Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group in the financial year ended 31 December 2007 amounted on RM482,362.43 for professional services rendered as per the following table.

Company	Advisor Fee (RM)	Consolidation Review Fee & Review of Quarterly Announcement Fee (RM)	Tax Fee (RM)
Naim Cendera Holdings Berhad	370,000.00	33,000.00*	5,716
Naim Cendera Sdn Bhd	-	3,000.00	10,000
Total Reliability Sdn Bhd	-	8,000.00	5,600.00
Naim Cendera Dua Sdn Bhd	-		2,600.00
Desa Ilmu Sdn Bhd	-		12,455.00
Naim Citra Sdn Bhd	-		2,978.00
NCSB Engineering Sdn. Bhd.	-		5,321.43
TR Green Sdn Bhd	-		2,200.00
Khidmat Mantap Sdn. Bhd.			5,230.00
Naim Commercial Sdn. Bhd.			5,588.00
Yakin Pelita Sdn. Bhd.			1,225.00
Naim Equipment Sdn. Bhd.			588.00
Naim Management Sdn. Bhd.			500.00
Naim Housing Sdn. Bhd.			750.00
Naim Ready Mix Sdn. Bhd.			2,500.00
TR Smart Piles Sdn. Bhd.			3,201.00
TR Bricks Sdn Bhd	-		1,910.00
<b>Total</b>	<b>370,000.00</b>	<b>44,000.00</b>	<b>68,362.43</b>

* RM33,000 consists of:	(RM)
Consolidation review fee	10,000
Statement of Internal Control	15,000
Review of Quarterly Announcement	8,000
<b>Total</b>	<b>33,000</b>
	=====

## Variation in Results

During the financial year under review, there were no significant variations in results.

## Profit Guarantee

During the financial year under review, there were no profit guarantees given by the Company.

## Revaluation Policy

For the financial year under review, the Group had not adopted any revaluation policy in relation to its landed properties.

# corporate governance

## Utilization of Proceeds

For the financial year ended 31 December 2007, proceeds from Initial Public Offering were utilized as per the following table.

Utilization of Proceeds (in RM'000)				
Purposes	As per Prospectus	Utilized as at 31.12.2007	Variation	Balance Unutilized
Acquisition of land for property development and property investment	25,000	6,039	(15,000)	3,961
Purchase of machinery	7,400	2,214	-	5,186
Purchase of information technology systems	3,082	3,082	-	-
Repayment of bank borrowings	7,430	7,402	-	28
Listing expenses	4,600	4,600	-	-
Working capital	13,036	13,036	15,000	15,000
<b>Total</b>	<b>60,548</b>	<b>36,373</b>	<b>-</b>	<b>24,175</b>

## Related Party Transactions

The related party transactions are disclosed on page 131 of the Annual Report.

## Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving directors and major shareholders, either subsisting at the end of the financial year or entered into since the end of the previous financial year.

# board committees

## Nomination Committee

The Nomination Committee was established on 13 November 2003. It comprises the following members:-

### Datuk Abdul Hamed Sepawi

as Chairman of the Nomination Committee  
Non-Executive Chairman

### YB Tuan Haji Hamden bin Haji Ahmad

as member of the Nomination Committee  
Senior Independent Non-Executive Director

### Datu' Haji Abdul Rashid Bin Mohd Azis

as member of the Nomination Committee  
Independent Non-Executive Director

The structure of executive and non-executive participation in the Nomination Committee is as follows:-

Category	No. of directors	Percentage
Executive Director	0	0.0%
Non-Executive Director	1	33.33%
Independent Non-Executive Director	2	66.67%
<b>Total</b>	<b>3</b>	<b>100.00%</b>

The main role of the Committee is to consider the nominees for appointment to the Board of directors and to assess the core competencies of each existing Board member and new appointments contributing particular knowledge, expertise or experience and taking into account the future needs of the Group. Candidates will be evaluated in one or more of the following:-

- ▶ **Relevant Knowledge**  
Board members must possess commercial knowledge, business acumen and experience.
- ▶ **Strategy and Vision**  
With the requisite knowledge as mentioned earlier, Board members must possess the capability to provide insight, guidance and direction to management by promoting improvement, modeling new trends, evaluating strategies.
- ▶ **Business Judgment**  
Shareholders rely on the Board to make rational and sensible decisions on their behalf to bring about a reasonable return to their investments. The Board has to maintain sound business decisions that add value to the long-term strategic advantage of the Company.
- ▶ **Management**  
Board members must be capable of monitoring management's performance through having an adequate knowledge of financial accounting and corporate finance.

- ▶ **Industry Knowledge**  
Businesses normally face new challenges and new opportunities which are unique to the industry. The Committee will recruit and/or maintain an appropriate level of industry-specific knowledge on the Board.
- ▶ **Time Commitment**  
Service on the Board demands a considerable commitment of time to attend and participate in regular and special meetings of the Board and its committees. Large portion of time is devoted to reviewing materials relating of the business and preparing for meetings of the Board and its committees.
- ▶ **Other Directorships**  
The Committee will also take into consideration whether a Director is otherwise retired or to be retired from full time employment and, thereby, able to take up additional directorships.
- ▶ **Conflict of interest**  
Candidates are required to disclose Board details of any contract or other interest involving the Company in which they have a personal interest.
- ▶ **Independence**  
A director shall be considered independent if he does not have any direct or indirect relationship with Naim that may impair or appear to impair, the director's ability to make independent judgments and satisfied the requirements of "independence" of the Listing Requirements.

If the candidate is deemed suitable and fulfill the minimum requirements, recommendations will be submitted to the Board for consideration.

Nomination Committee also recommends representation in subsidiaries Board and in members meeting.

Subsidiaries Board comprises a mix of representation from management and from executive members of the parent company.

The Nomination Committee also evaluates the following:-

- 1) Criteria for selection of directors
- 2) Board structure, size and the balance of representation on the Board in light of the Listing Requirements;
- 3) Performance of the Board and Board Committees;
- 4) The mix of skills, experience including core competencies of non-executive Directors;
- 5) Directors' Rotational Retirement Schedule

The Nomination Committee met thrice, during the year under review.

# board committees

## NOMINATION COMMITTEE - TERMS OF REFERENCE

### Composition

The Nomination Committee shall be appointed by the Board from among their number and shall comprise of no fewer than three (3) members, all of whom shall be Non-Executive Directors and a majority shall be Independent Non-Executive Directors.

### Duties and Responsibilities

The duties and responsibilities of the Nomination Committee are as follows:-

- a) To consider and recommend to the Board competent persons of the highest calibre and integrity for appointment as:-
  - i) members of the Board
  - ii) members of the Board Committees
- b) to review the required mix of skills and experience and other qualities, including core competencies of non-executive Directors on an annual basis;
- c) to review the performance of members of the Board, Managing Directors and members of Board Committees; and to assess the effectiveness of the Board Committee and the Board as a whole and the contribution of each individual Director;
- d) to review the Board structure and size and the balance of appointments between Executive Directors and Non-Executive Directors;
- e) to review the adequacy of committee structures of Board Committees;
- f) to review the structure for management succession and development for the orderly succession of management.

## Remuneration Committee

The Remuneration Committee was formed on 13<sup>th</sup> November 2003. The Committee consists of the following members:-

**Ir. Abang Jemat Bin Abang Bujang**  
as Chairman of the Remuneration Committee  
Non-Executive Director

**Datuk Hasmi Bin Hasnan**  
as member of the Remuneration Committee  
Managing Director

**Sylvester Ajah Subah @ Ajah Bin Subah**  
as member of the Remuneration Committee  
Independent Non-Executive Director

**Datu Haji Abdul Rashid Bin Mohd Azis**  
as member of the Remuneration Committee  
Independent Non-Executive Director

The composition of executive and non-executive participation in the Remuneration Committee is as follows:-

Category	No. of directors	Percentage
Independent Non-Executive Director	2	50.00%
Non-Executive Director	1	25.00%
Executive Director	1	25.00%
<b>Total</b>	<b>4</b>	<b>100.00%</b>

The Committee shall annually review performance against targets, corporate goals and objectives relevant to the compensation of the directors. The remuneration package is structured primarily arithmetically linked to the financial performance of the Group and with non-arithmetic element determine by reference to personality traits, changes in job scope and responsibilities. Incentives are paid based on 2 prongs, achievement of targets and outcomes and the ability to contribute to the long term value creation of the organization. The overall remuneration package is devised to retain a stable management team and to align them with the Company's annual and long-term goals and interests of the stockholders.

The Remuneration Committee met twice, during the year under review.

## REMUNERATION COMMITTEE - TERMS OF REFERENCE

### Composition

The Remuneration Committee shall be appointed by the Board from among their number and shall comprise no fewer than three (3) members, a majority of members shall be Non-Executive Directors.

### Duties and Responsibilities

The duties and responsibilities of the Remuneration Committee are as follows:-

- a) to review annually and recommend to the Board the Company's overall remuneration policy and guidelines for Executive Directors to ensure that the remuneration packages are strongly linked to performances;
- b) to enhance shareholders' value by ensuring that individual performance and rewards of Executive Directors reflect and reinforce the business objectives and long term goals of the Group;
- c) to keep abreast with changes in the total remuneration package in external market comparables, and reviews and recommends changes to the Board when deemed necessary.

No member of the Committee or any other Director shall be involved in the deliberations in respect of his remuneration and benefits to be granted.

## Risk Management Committee

The Risk Management Committee was established on 13<sup>th</sup> November 2003. The Risk Management Committee comprises the following:-

### Datuk Hasmi Bin Hasnan

as Chairman of the Risk Management Committee  
Managing Director

### YB Tuan Haji Hamden Bin Haji Ahmad

as member of the Risk Management Committee  
Senior Independent Non-Executive Director

### Dr. Sharifuddin Bin Abdul Wahab

as member of the Risk Management Committee  
Deputy Managing Director

### Ahmad Bin Abu Bakar

as member of the Risk Management Committee  
Executive Director

### Ir. Suyanto Bin Osman

as member of the Risk Management Committee  
Executive Director

### Kueh Hoi Chuang

as member of the Risk Management Committee  
Executive Director

### Gordon Kab

as member of the Risk Management Committee  
Senior Head of Construction

### Hii Doh Yiew

as member of the Risk Management Committee  
Senior Manager (Finance & Corporate Planning)

A representative from the Internal Audit Department

The composition of executive and non-executive participation in the Risk Management Committee is as follows:-

Category	No. of directors	Percentage
Independent Non-Executive Director	1	11.11%
Executive Director	5	55.56%
Management Staff	2	22.22%
Internal Auditor	1	11.11%
<b>Total</b>	<b>9</b>	<b>100.00%</b>

During 2007, PriceWaterHouse Coopers (PwC) was engaged to conduct the risk management renewal program. As part of the improvement process, and following approval of the renewal program by the Board on 12 March 2008, the Risk Management Policy, Risk Management Structure, Roles and Responsibilities and the Risk Management Committee's Terms of Reference were reviewed, redefined and restructured as follows:-

## 1) RISK MANAGEMENT POLICY

Naim Cendera Holdings Berhad ("Naim") Enterprise Risk Management Policy

Naim defines risk as *uncertain events and conditions which if they occur have an either positive or negative effect on the organisation's objectives. It is measured in terms of likelihood and impact.*

Naim defines Enterprise Risk Management ("ERM") as *the process, effected by Naim's Board of Directors, management and personnel, applied in strategy setting and across the organisation, designed to identify potential events that may affect the organisation, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of organisation objectives.*

Naim's policy is to identify, analyse and respond appropriately to all risks. The control activities selected are determined by the appetite and tolerances for risks. These will vary over time according to the specific business objectives.

The effectiveness of risk management and control measure will be regularly reported to and acted upon by the Board. In addition, periodic independent review on the effectiveness will be conducted by the Risk Management Unit and Internal Audit.

### a) Responsibilities

The Board has delegated the responsibility for the setting of the ERM Framework ("Framework") to the Risk Management Committee ("RMC"). The Management Committee ("MC") under the leadership of the Managing Director is responsible for implementing the strategy, culture, people, processes, technology and structures which constitute the Framework.

### b) Key Principles on Managing Risk

The Risk Management policy will be supported by the following underlying principles:

- ▶ In order to achieve Naim's business objectives, risk must be considered and managed enterprise-wide;
- ▶ Risk management is integral to the strategic planning process, business decision making and day-to-day operations, and will be included as an agenda in all key planning meetings;
- ▶ All project assessment must include a Strengths, Weaknesses, Opportunities and Threats ("SWOT") analysis;
- ▶ Risks are identified, analysed, responded, monitored and reported in accordance with Naim's policies and procedures;
- ▶ Risks response and control activities must be tailored to each particular business circumstance;
- ▶ Management must regularly assess the status of monitoring of risk and reporting;
- ▶ Key elements of the framework and key risks identified will be discussed during the board meeting at least once a year; and
- ▶ RMC must conduct a bi-annual risk review on risk profiles and the status of risk monitoring.

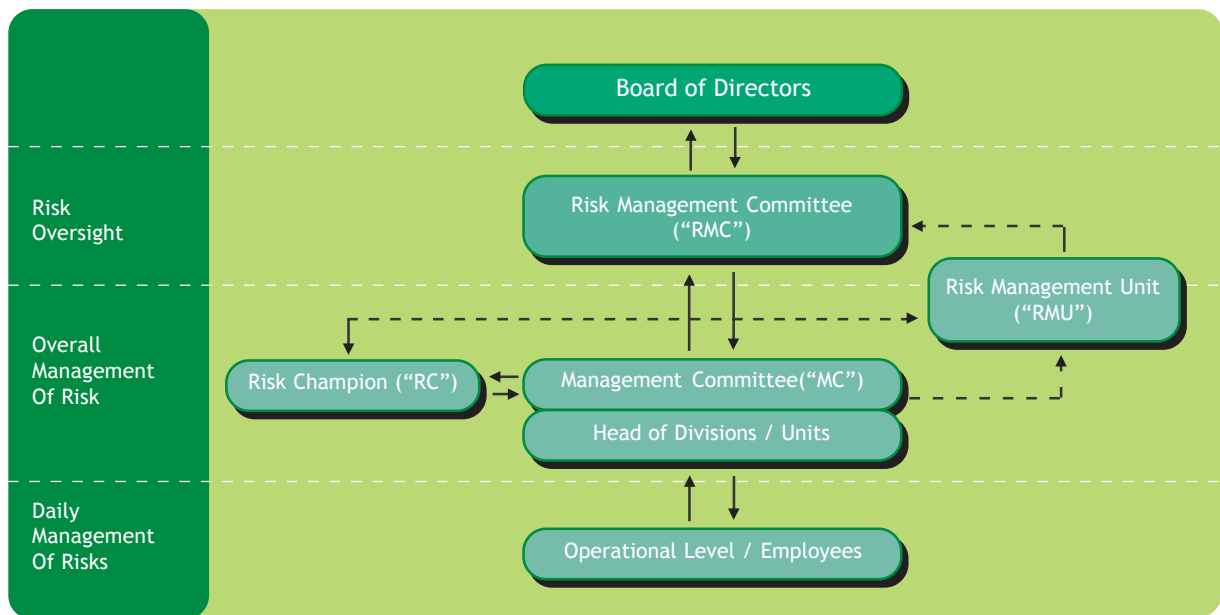
# board committees

## c) Review of Policy

This policy and the underlying procedures and guidelines will be reviewed annually by RMC to ensure its continued application and relevance.

## 2) RISK MANAGEMENT STRUCTURE

The Risk Management organisational structure adopted by Naim is as follows:



Structure	Description
Risk Management Committee ("RMC")	<ul style="list-style-type: none"> <li><input type="checkbox"/> Comprises of no fewer than five (5) members and one of whom shall be a representative from the Internal Audit</li> <li><input type="checkbox"/> RISCO assumes partial Board and partial Senior Management role.</li> </ul>
Management Committee ("MC")	<ul style="list-style-type: none"> <li><input type="checkbox"/> Comprises of Head of Departments/Units</li> <li><input type="checkbox"/> Provide assurance that major risks are being identified, assess and action plans are in place</li> </ul>
Risk Owners ("RO")	<ul style="list-style-type: none"> <li><input type="checkbox"/> Individuals that are appointed by MC to manage risks at operational level.</li> <li><input type="checkbox"/> They are required to continuously monitor and report status of risks to the MC</li> <li><input type="checkbox"/> They ensure proper controls are in place and action plans are implemented effectively to manage risks</li> <li><input type="checkbox"/> They should escalate to MC (on ad-hoc basis) if new risks have emerged.</li> </ul>
Risk Management Unit ("RMU")	<ul style="list-style-type: none"> <li><input type="checkbox"/> A unit under the purview of Finance/Corporate Planning</li> <li><input type="checkbox"/> Assist RISCO in administering ERM activities.</li> <li><input type="checkbox"/> Constant communication with RC to ensure that ERM activities are carried out as per their roles and responsibilities.</li> </ul>
Risk Champions ("RC")	<ul style="list-style-type: none"> <li><input type="checkbox"/> Nominated by MC and mandated to champion the ERM initiative.</li> <li><input type="checkbox"/> Assist risk owners in their management and reporting of risks</li> <li><input type="checkbox"/> Main characteristics would include, bold and firm, from middle management that is not too junior in Naim.</li> </ul>

### 3) ROLES AND RESPONSIBILITIES

The table below summarises the risk management roles and responsibilities.

Structure	Responsibilities
Board of Directors (“Board”)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Annual review of risk appetite and target risk</li> <li><input type="checkbox"/> Discuss and deliberate key risks escalated by RISCO.</li> </ul>
Risk Management Committee (“RMC”)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Provide oversight on Naim’s ERM as needed.</li> <li><input type="checkbox"/> Establish risk policies and Framework.</li> <li><input type="checkbox"/> Bi-annually review and approve the Corporate Risk Profile consolidated by RMU.</li> <li><input type="checkbox"/> Escalate key risk, with proposed controls/action plans to the Board.</li> </ul>
Risk Management Unit (“RMU”)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Assume the administrative role in ERM.</li> <li><input type="checkbox"/> Consolidated Risk Profile Summary for submission to RISCO.</li> <li><input type="checkbox"/> Align the results of internal audit findings with risk reporting to RISCO.</li> <li><input type="checkbox"/> Co-ordinate and oversee tasks delegated to RC.</li> <li><input type="checkbox"/> Conduct sample testing on the risk profiles to assess the level of compliance with ERM reporting requirement.</li> <li><input type="checkbox"/> Bi-annually escalate significant changes in existing risk profiles.</li> <li><input type="checkbox"/> Report new risks profiles to RISCO on an ongoing basis.</li> </ul>
Management Committee (“MC”)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Identify, assess, respond, monitor and report the Corporate Risk Profile monthly.</li> <li><input type="checkbox"/> Consider Naim’s organisation objectives when identifying the Corporate Risk Profile.</li> <li><input type="checkbox"/> Recommend control activities/action plans to manage risks that have been identified.</li> <li><input type="checkbox"/> Prioritise resource allocation for control action/action plans.</li> <li><input type="checkbox"/> Ensure a proper balance between risk incurred and potential returns to shareholders.</li> </ul>
Risk Champions (“RC”)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Assist RMU in the coordinating, monitoring, compiling of risks and action plans to embed risk management activities.</li> <li><input type="checkbox"/> Update the risk register in the Risk Monitoring System based on feedback and update of RO.</li> <li><input type="checkbox"/> Ensure compliance to ERM reporting requirements and timelines.</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li><input type="checkbox"/> Execute control activities/action plans recommended by MC to address the risks identified.</li> <li><input type="checkbox"/> Ensure that control activities/actions plans are adequate and effective.</li> <li><input type="checkbox"/> Evaluate the applicability and effectiveness of control activities/action plans against the changes in the internal and external environment.</li> </ul>

#### 4) RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE

The revised Terms of Reference were approved by the Board of Directors at the Board Meeting held on 12<sup>th</sup> March 2008.

##### a) Composition

The Risk Management Committee shall comprise no fewer than five (5) members and one of whom must be a representative from the Internal Audit.

##### b) Duties and Responsibilities

The duties and responsibilities of the Risk Management Committee are as follows:-

- a) To provide oversight on Naim’s Enterprise Risk Management as needed.
- b) To establish risk policies and framework.
- c) Bi-annually review and approve the Corporate Risk Profile consolidated by the Risk Management Unit.
- d) Escalate key risk, with proposed controls/action plans to the Board.

# board committees

- e) to ensure a proper balance between risk incurred and potential returns to shareholders.
- f) the Internal Audit Department shall assess the adequacy and reliability of the risk management process
- g) the Internal Audit Department may pursue further in areas identified as high risks and report its findings and recommendations to the Audit Committee
- h) such other responsibilities as may be delegated by the Board from time to time.

## Board Executive Committee

The Board Executive Committee was established on 13 November 2003. Its membership comprises the following:-

### Datuk Abdul Hamed Bin Sepawi

as Chairman of the Board Executive Committee  
Non-Executive Chairman

### Datuk Hasmi Bin Hasnan

as member of the Board Executive Committee  
Managing Director

### Dr. Sharifuddin Bin Abdul Wahab

as member of the Board Executive Committee  
Deputy Managing Director

### Suyanto Bin Osman

as member of the Board Executive Committee  
Executive Director

### Ahmad Bin Abu Bakar

as member of the Board Executive Committee  
Executive Director

The composition of executive and non-executive participation in the Board Executive Committee is as follows:-

Category	No. of directors	Percentage
Non-Executive Director	1	20%
Executive Director	4	80%
<b>Total</b>	<b>5</b>	<b>100%</b>

The Board Executive Committee is crucial for ensuring effective processes, articulating direction, evaluating effectiveness and helping to pursue excellence in organizational performance by encouraging constructive dialogue within the Board and Committee.

## Board Executive Committee Terms of Reference

### Composition

The Board Executive Committee shall be established and members thereto shall be appointed by the Board. The Committee shall have no fewer than three (3) members.

### Responsibilities

The Board Executive Committee is responsible for implementing the decisions and policies by the Board as well as to coordinate activities necessary to ensure successful implementation of the Group's business.

### Duties

The duties of the Board Executive Committee are as follows:-

- a) to review and adopt the strategic plan for the Group;
- b) to oversee the conduct of the Company's business plan and evaluate whether the business is properly managed;
- c) to develop and implement an investor relations programme or shareholder communications policy for the Company;
- d) to review the adequacy and the integrity of the Company's internal control systems and management information systems;
- e) to decide on all matters relating to banking facilities as may be required for the conduct of the Group's operations;

f) The Board Executive Committee is also empowered to :-

- i) review, recommend and approve capital expenditure;
- ii) review, recommend and approve disposal of capital items;
- iii) review, recommend and approve the Award of Tenders

within the restricted authority given by way of authority limits determined by the Board.

The composition of executive, non-executive and management participation in the Human Resource Operations Committee is as follows:-

Category	No. of directors	Percentage
Independent Non-Executive Director	1	14.29%
Non-Executive Director	1	14.29%
Executive Director	4	57.13%
Management Staff	1	14.29%
<b>Total</b>	<b>7</b>	<b>100.00%</b>

## Other Committees

### Human Resource Operations Committee

The Human Resource Operations Committee was established on 24<sup>th</sup> May 2004. The Human Resource Operations Committee comprises the following:-

**Dr. Sharifuddin Bin Abdul Wahab**

as Chairman of the Human Resource Operations Committee  
Deputy Managing Director

**Datuk Hasmi Bin Hasnan**

as member of the Human Resource Operations Committee  
Managing Director

**Ahmad Bin Abu Bakar**

as member of the Human Resource Operations Committee  
Executive Director

**Ir. Abang Jemat Bin Abang Bujang**

as member of the Human Resource Operations Committee  
Non-Executive Director

**Kueh Hoi Chuang**

as member of the Human Resource Operations Committee  
Executive Director

**Datu' Haji Abdul Rashid Bin Mohd Azis**

as member of the Human Resource Operations Committee  
Independent Non-Executive Director

**Gordon Kab**

as member of the Human Resource Operations Committee  
Senior Head of Construction

**Jeffrey Sim**

(resigned as Senior Human Resource Manager and ceased to be a member of the Human Resource Operations Committee on 31<sup>st</sup> March 2008)

### HUMAN RESOURCE OPERATIONS COMMITTEE - TERMS OF REFERENCE

#### Composition

The Human Resource Operations Committee shall be established and members thereto shall be appointed by the Board. The Committee shall have no fewer than three (3) members.

#### Responsibilities

The Human Resource Operations Committee is responsible for forecasting the manpower requirements and evaluation based on the 5-years' corporate goals.

#### Duties

The duties of the Human Resource Operations Committee are as follows:-

1. to review the current organisation structure and manpower concerns of the Group;
2. to conduct a study into the current compensation and benefit system and, if necessary, to recommend changes thereto in conformance with the prevailing market rates;
3. to formulate employee recognition programme to retain and recognise performing employees;
4. to formulate a 5-year organisation chart and set schedule for human resources requirements planning for the Group;
5. to align the Human Resource's role with the 5-year corporate goals; and
6. to assess short and long term Human Resource performance requirements.

# board committees

## Business Development Committee

The Business Development Committee was established on 24<sup>th</sup> May 2004. The Business Development Committee comprises the following:-

### Datuk Abdul Hamed Bin Sepawi

as Chairman of the Business Development Committee  
Non-Executive Chairman

### Datuk Hasmi Bin Hasnan

as member of the Business Development Committee  
Managing Director

### Dr. Sharifuddin Bin Abdul Wahab

as member of the Business Development Committee  
Deputy Managing Director

### Ir. Suyanto Bin Osman

as member of the Business Development Committee  
Executive Director

### Kueh Hoi Chuang

as member of the Business Development Committee  
Executive Director

### Gordon Kab

as member of the Business Development Committee  
Senior Head of Construction

The composition of executive, non-executive and management participation in the Business Development Committee is as follows:-

Category	No. of directors	Percentage
Non-Executive Director	1	16.66%
Executive Director	4	66.67%
Management Staff	1	16.66%
<b>Total</b>	<b>6</b>	<b>100%</b>

## BUSINESS DEVELOPMENT COMMITTEE - TERMS OF REFERENCE

### Composition

The Business Development Committee shall be established and members thereto shall be appointed by the Board. The Committee shall have no fewer than three (3) members.

### Responsibilities

The Business Development Committee is responsible for identifying, exploring avenues, sourcing and locate opportunities and to lobby for potential projects to meet the 5 years' corporate goals.

### Duties

The duties of the Business Development Committee are as follows:-

- to review the market analysis, feasibility studies and recommendations for potential projects or contracts;
- to conduct strategic analysis of projects, contracts, real estate deals and land acquisition deals;
- to gather market intelligence and to understand both our direct and indirect competitors;
- to develop contacts/exchanges of information and maintain good relations with government, authorities, ministries, property developers and others; and
- to plan and implement strategies to develop new business and opportunities.

## Business Process Engineering Committee

The Business Process Engineering Committee (BPEC) was established on 24<sup>th</sup> May 2004. The BPEC comprises the following members:-

### Ir. Abang Jemat Bin Abang Bujang

as Chairman of the BPEC  
Non-Executive Director

### Datuk Hasmi Bin Hasnan

as member of the BPEC  
Managing Director

### Dr. Sharifuddin Bin Abdul Wahab

as member of the BPEC  
Deputy Managing Director

**Ahmad Bin Abu Bakar**  
as member of the BPEC  
Executive Director

**Ir. Suyanto Bin Osman**  
as member of the BPEC  
Executive Director

**Kueh Hoi Chuang**  
as member of the BPEC  
Executive Director

**Kho Teck Hock, Ricky**  
as member of the BPEC  
Head of Corporate Affairs

**Gordon Kab**  
as member of the BPEC  
Senior Head of Construction

**Jeffrey Sim**  
(resigned as Senior Human Resource Manager and ceased to be a member of the Human Resource Operations Committee on 31<sup>st</sup> March 2008)

**Joseph Lee**  
as Secretary of the BPEC  
ICT Manager

The composition of executive, non-executive and management participation in the Business Process Engineering Committee is as follows:-

Category	No. of directors	Percentage
Non-Executive Director	1	12.5%
Executive Director	5	62.5%
Management Staff	2	25.00%
<b>Total</b>	<b>8</b>	<b>100.00%</b>

The Naim Process Re-Engineering Exercise focuses on sharing of experiences and information on a central databases instead of traditional methods such as paper and files.

Information Technology is becoming very difficult if not impossible; to separate from business processes it is associated with. Integrating the design of business process with information system that are associated with is becoming increasing important and it is a major challenge for many companies.

The new economy has brought an increasing glut to the world of business and the fundamentals reality of the way that business operates and competes has dramatically changed. Managing information overload is the key on sustaining business success; and information technology plays a vital role in managing an organization and its resources.

As such, the organization must re-engineer its processes and changes its practices to accommodate the agility of the information technology.

In the past, information was often considered a necessary evil of an organization bureaucracy that could potentially impede the effective and efficient functioning of an organization.

As information is increasingly seen as a common resource, more easily obtainable from databases, data warehouses and the like, much interest has turned to Knowledge Management.

Knowledge is difficult to define, but it can be seen as information plus intelligence, leading to new capabilities and providing the extra value. It is often associated with organizational learning, as the core capabilities work practices and experiences are shared.

From an organization point of view, making capabilities rare, valuable and difficult to imitate potentially gains substantial competitive advantage. Knowledge Management system aims to help achieve this so that best practices is shared among different application and various types of users.

Road-shows and discussions were held to educate employees to the new concept of information sharing. Business processes were revised eight times during the year to keep pace with market conditions.

## BUSINESS PROCESS ENGINEERING COMMITTEE (BPEC) - TERMS OF REFERENCE

### Composition

The BPEC shall be established and members thereto shall be appointed by the Board. The Committee shall have no fewer than three (3) members.

### Responsibilities

The BPEC is responsible for defining the necessary organizational changes that are required to achieve the 5-year corporate goals.

# board committees

## Duties

The duties of the BPEC are as follows:-

- a) to review the current work-flows within the organisation structure;
- b) to detect process weak points and to modify processes where gains can be obtained with low costs;
- c) to establish and implement creative solutions based on business models to ensure that the correct information is supplied to the right person at the right time in order to fulfill the Group's objectives; and
- d) to introduce control procedures to ensure that the change provides the expected improvement.

## CORPORATE DISCLOSURE COMMITTEE (CDC)

The CDC was established on 21 March 2005. The CDC comprises the following:-

**Datuk Hasmi Bin Hasnan**  
as Chairman of the CDC  
Managing Director

**Dr. Sharifuddin Bin Abdul Wahab**  
as member of the CDC  
Deputy Managing Director

**Ahmad Bin Abu Bakar**  
as member of CDC  
Executive Director

**Kho Teck Hock, Ricky**  
as member of the CDC  
Head of Corporate Affairs

**Bong Siu Lian**  
as member of the CDC  
Company Secretary

The composition of executive, non-executive and management participation in the CDC is as follows:-

Category	No. of directors	Percentage
Executive Director	3	60.00%
Management Staff	2	40.00%
<b>Total</b>	<b>5</b>	<b>100.00%</b>

The CDC has been established to oversee all matters relating to corporate disclosure policy and procedures.

The functions and responsibilities of the CDC include:

- 1) To promote and maintain market integrity and investor confidence;
- 2) To ensure equal access to material information in an accurate, clear, timely and complete manner and to avoid selective disclosure;
- 3) To propagate the exercise of due diligence to ensure that information disseminated will be as far as possible accurate, clear, timely and complete;
- 4) To instill an efficient management of information procedure that promotes accountability for the dissemination of material information;
- 5) To take advantage of advances made in information technology in dissemination information; and
- 6) To build good investor relations with the investing public that inspires trust and confidence.

# statement of internal control

## Introduction

This Statement on Internal Control by the Board of Directors is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad Listing Requirement with regard to the Group's compliance with the principles and best practices for internal control as provided in the Malaysian Code of Corporate Governance ("the Code").

The Board of Naim believes in good corporate governance and managing the affairs of the Group in accordance with the Code. In addition, the Board believes that it is very much the voluntary good behaviour and credibility of the Board which will create a good governance culture for the entire organization and its business partners.

## Responsibility

The Board acknowledges its responsibilities for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets as well as reviewing the adequacy and integrity of the system. The internal control system is a process that is put in place at all levels of the organization to provide reasonable assurance that the Group's business objectives will be achieved. The system covers financial controls, operational controls, compliance controls, as well as risk management. Because of the limitations that are inherent in any system of internal control, it is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

## Risk Management Framework

Risk management practices and internal control are embedded in the daily operations of the Group, which has established a strategic enterprise-wide risk management framework. This framework involves identifying the risk exposure of the Group, developing key risk profiles/ corporate risk scorecards as well as implementing a continuous risk monitoring system. The Risk Management Committee (comprising representatives from the Board, the management and the internal audit department) is continuously reviewing, upgrading and improving the Group's risk management practices.

## Key Processes of Internal Control

Key processes of Internal Control are summarised as follows:

- Organisational structure that lays down clear lines of responsibility and reporting.
- Budgetary control, where actual performance is regularly monitored against budgets and variances are investigated.
- Group Procedures and Authorities Manual, which sets out the operating control procedures pertaining to finance, accounting, credit control, human resources, procurements and inventory. The control procedures, inter alia, include setting limits for approving expenditure and procurements.
- Staff handbook, that sets out general employment terms and the Group's corporate code of ethics.
- Quality management system requiring the management and staff of subsidiary, Naim Cendera Sdn. Bhd. (accredited with ISO 9002 Certification since 2000 and upgraded to ISO 9001:2000 in year 2006) to adhere to a set of well-established standard operating procedures covering all major critical processes. Surveillance audits are conducted yearly to ensure compliance with the system.

## Internal Audit

The Group has established a formal structure for its internal audit function that clearly defines the roles and responsibilities of the persons involved in the internal audit. As an integral part of the audit process, key areas of importance pertaining to internal control, risk assessment, risk mitigation and proper governance processes are identified. Focusing its review and audit on these key areas, the internal audit provides independent assurance on the efficiency and effectiveness of the internal control system implemented by management. The internal audit reports to the audit committee, on a quarterly basis or earlier as appropriate. The chairman of the audit committee in turn presents summaries of the internal audit reports (including management's responses to audit findings and recommendations) at Board meetings.

This statement is made in accordance with a resolution of the Board of Directors dated 24 April 2008.

# corporate social responsibility



As part of its commitment towards Corporate Social Responsibility (CSR), Naim has always taken into consideration the interests of community in which it operates and to assume the responsibility for the impact of its business activities on customers, suppliers, employees, shareholders, communities and the environment. Operating with an awareness of its corporate social responsibility, Naim's determination to fulfill its CSR can be seen to extend far beyond statutory obligations and compliance with legislation. Nevertheless, to ensure that CSR activities contribute to the overall competitiveness of the Group and do not have a detrimental effect on shareholder value, we are voluntarily placing all CSR activities (Health and Safety, Environmental Responsibility and Corporate Philanthropy) under the oversight of our Corporate Governance function. Please refer to the Corporate Governance chapter for further details.

## HEALTH AND SAFETY

Naim is determined that its activities shall not have any detrimental health and safety impact on its employees, subcontractor employees, customers or any member of the community at large. Therefore it rigorously enforces a Health and Safety Policy (see statement below) under the oversight of Group Health and Safety Manager Mr Bedingdang Nalong, who is a registered NIOSH HSE Manager. As a result, our rigorously enforced Healthy Workplace and Zero Accident Policies have once again yielded positive results, with no work-related illnesses or accidents being reported during 2007.

## ENVIRONMENTAL RESPONSIBILITY

It has always been Naim's goal to build a sustainable business and we recognize that the Company's continued growth and ability to operate depend on how successfully we reconcile our financial objectives with environmental protection and community well-being. Our performance as a company will increasingly be evaluated on how we do in all the three areas. Through the full integration of environmental objectives into our business plans and ongoing capital investment in existing and new operation facilities, we are making steady progress towards sustainability.

We are proud that our operation facilities, development projects, conceptual and technical designs and operations not only meet but, in many cases exceed the requirements set out in government regulations. We are totally committed to sustainable development, responsible stewardship of the natural environment and the protection of human health. Recognizing the environmental implications of our activities, we continually strive to improve environmental performance by setting and reviewing measurable objectives and targets associated with our operations.

To achieve this we have drawn up an interim Environmental Policy Statement, adherence to which is mandatory for all our staff and subcontractors. The Statement is not set in stone but will be reviewed and expanded as enhance our environmental management capabilities. Space constraints prevent us from printing the full Statement here. It can be viewed at our website, [www.naimcendera.com](http://www.naimcendera.com). Some of the initiatives carried out under the policy are described below.

**Corporate Paper Bags:** These are all made from recycled paper, and carry a message of awareness to clients as well as providing full biodegradability.

**Company Cars:** All senior staff are provided with low-emission petrol cars with green engines. The use of personal diesel cars is very limited and discouraged unless absolutely necessary.

**Centralized Air Conditioning:** All Wisma Naim office air conditioning is centralized to reduce the release of coolant gases which are damaging to the ozone layer. Centralization of other location will be phased in gradually.

**Energy Saving Office Lighting:** We do not use any tungsten/halogen light bulbs and use natural light wherever possible, to reduce consumption of electricity. Room lights are only switched on when necessary.



**Building Concrete Houses:** Homes built with concrete above the ground are significantly more energy efficient than those built with traditional materials. In addition, the durability of concrete reduces consumption of natural resources and it is 100% recyclable.

**Soil Nails for Steep Slope Protection:** To avoid extensive cutting of ground which destroys the environment, steep slopes are protected with soil nails. The road leading to our Bengoh Dam Project is a good example of this approach.

**Used Tyres for Embankment Stabilization:** We are the Malaysian pioneers in using scrap vehicle tyres for stabilization of embankments. Tyres are non-biodegradable so their disposal is a problem, for which we are providing an elegant and practical solution. Our award winning Batang Balingian Bridge Project is a good example.

**Use of Rolled Compacted Concrete (RCC) for ongoing Bengoh Dam:** The raw materials for RCC are cement, fly ash, water, aggregates and sand. Fly ash is a harmful waste material and needs to be disposed of with care. Using RCC for the dam construction will help to dispose of fly ash from Sejangkat Power Plant.

**Ready Mix Concrete:** We only use ready mix concrete, mixed in the factory under proper control. Batching on site can release pollutants into the air and will leave the site strewn with non-biodegradable cement bags.

**Quarry Gravels:** We only use ready mix concrete made with quarry gravels. This helps preserve the environment as no river gravel is abstracted for Naim projects.

### Corporate Philanthropy - Tabung Amanah Naim

For over 10 years, the Naim Group has donated generously to various social and charitable organizations. However, following the Group's listing in 2003, the Board felt it necessary, for the sake of transparency and good corporate governance, for the bulk of the Group's charitable activities to be directed through a dedicated special purpose vehicle.

Therefore the Group set up the Tabung Amanah Naim (Naim Trust Fund) on September 2004. The fund was launched with a corporate donation from the Naim Group, and personal donations from the Directors. These sum are

topped-up and expanded on an annual basis by donations from the Group and its subsidiaries. The Fund is controlled by a Board of Trustees and has the following objectives:

- To provide assistance, scholarships, incentives or awards for the establishment, advancement or excellence in educational or research work in Malaysia.
- To provide assistance for the relief of distress amongst the Malaysian public.
- To provide assistance for the promotion of national unity through sports, arts and culture in Malaysia.
- To provide contributions for the purposes of religious worship or advancement of religion.
- To make donations for other patriotic or charitable purposes.

### Notable donations in 2007 include :

RM1 million for PRIDE Foundation:

PRIDE Foundation is Malaysian charity that aims to enhance awareness of and improve accessibility to treatment and care of breast cancer at all levels of society. Its incorporation is a tribute to the late Datin Paduka Seri Endon Mahmood's courage, resilience and strength in her own fight against breast cancer. Tabung Amanah Naim strongly supports the noble objectives of PRIDE Foundation and the need to raise awareness of breast cancer in Malaysia.

### Annual Naim Scholarships:

Since 2005, Tabung Amanah Naim Trust has offered full scholarships to deserving students who excelled in their SPM / STPM examinations and are taking up undergraduate courses in local universities. The scheme covers full academic fees, lodging and books etc. Candidates must be taking up courses in any of; Civil, Mechanical or Electrical Engineering, IT, Housing, Building and Planning, Quantity Surveying, Property Management, Architecture and Business Administration, in order to provide skilled manpower for the housing and construction industries. Of the many students who have received the scholarship, two are now working full time with Naim, while the rest are still pursuing their studies.

### Donations to Primary Schools

During the year, Tabung Amanah Naim donated RM100,000 to two primary schools, namely RM50,000 each to SJK Chung Hwa Sungai Jernang and SRB St. Christopher, Debak.

## investor relations activities



Naim always believes in having a long term relationship with its stakeholders with its key focus on Investor Relations (IR) activities to consistently update and inform shareholders, institutional investors and research analysts with relevant comprehensive, transparent and prompt information. This is Naim's way of allowing its existing and potential stakeholders to have an informed and realistic opinion of the company's profitability, strategic positioning and the associated opportunities as well risks. One way of achieving such objectives is by issuing Naim's quarterly financial reports and undertaking regular activities to inform shareholders and analysts about the development of business as well as important events within Naim.

To develop a long-term relationship of trust among existing and future stakeholders, Naim has participated and organized visits; roadshows; briefings; meetings and presentations locally and abroad for fund managers as well as investment analysts. It is through such IR activities Naim's corporate management strategies and current developments are discussed with interested parties who will gain fair and necessary disclosure of information. Such IR activities are regularly led and conducted personally by the Managing Director, Datuk Hasmi Hasnan; Deputy Managing Director, Dr Sharifuddin Abdul Wahab and Head of Corporate Affairs, Ricky Kho (email: ricky.kho@naimcendera.com) who communicate directly with interested parties on pertinent matters.

As one of the leading players in the property and construction industry in Malaysia, Naim has been regularly invited to participate in international road shows such as in Singapore and Hong Kong and to date it has good as well as consistent coverage by AmResearch, Credit Suisse, OSK, Macquarie to name a few. Naim is also the only participant from East Malaysia to be invited at the recent Invest Malaysia 2008 held from 25th to 26th March 2008 and this is the third time such invitation was received. On the international front, Naim had participated in many conferences and roadshows including the international UBS Conferences held in 2007 in Hong Kong & Singapore.

In 2007 Naim received numerous visits from interested parties who included AmResearch, K&N Kenanga, Aseambankers, TA Securities and Sattva Investments who dropped by to see Naim's business operations in Kuching and Miri in order to have better understanding on the strengths as well as future of the company. Among the list of foreign-based fund managers, investment analysts, advisors and investors who have visited Naim in 2007 are SIAS Research, CSFB, Nomura Asset Management, Deutsche Securities, Deutsche Asset Management, Amoeba Capital, GMO, Blackriver, Credit Agrigole to name a few.



Among the Kuala Lumpur based fund managers, investment analysts, advisors and investors who have visited Naim in 2007 are KAF Securities, AmResearch, OSK Securities, HLG Asset Management, CIMB Securities, AIA, Macquarie, TA Securities, Merrill Lynch, East Asia Asset Management, CMS Dresdner, RHB Securities, JF Asset Management, Aseambankers and Gavekal Capital.

Our significant shareholders such as Lembaga Tabung Haji (LTH) and Employees' Provident Fund (EPF) have also sent their representatives to gain more insight on Naim's corporate; management strategies and current developments.

# naim group in the news



# up in the news



## Naim Cendera donates to youth organisation

The Naim Cendera Group has donated RM100,000 to the Naim Cendera Youth Organisation (NCYO) to support its activities. The donation will be used to fund various projects and initiatives aimed at promoting the growth and development of the youth in the community.



## Hundreds attend Naim's CNY open house

## Naim Cendera donates to CHMS No. 1, 3, 4

## Naim expects to work on three Kuching projects



FOR EDUCATION. Dr. Shafiqulhaq (second from right) hands over a cheque to Tan Wai Ho (from right) Vice Secretary-General of the Trust of Management of Kuching CHMS No. 1, 3 and 4. The other Mr. Seah Kian Yee (far left) and Tan Wai Ho (far right).



## Forty slots reserved for foreign golfers

## NAIM group in the news

## Naim Cendera set for RM1.3bil Kuching job

Govt gives letter of intent for flood mitigation project

We have completed the basic survey and will submit the proposal soon.

# diary of corporate

## diary of corporate events



### 17 February 2008

As part of its commitment towards Corporate and Social Responsibility, Naim donated RM50,000 each to SJK Chung Hwa Sungai Jernang and SRB St Christopher Debak. The donation handing over ceremony was performed during the Eastern Times Press Run 2008 held at Padang Merdeka on February 17.



### 17 February 2008

Over 500 people attended Naim's Chinese New Year 2008 open house at the Zero Boundary showhouse which featured an exciting lion dance and the giving away of ang paws to children led by Director of Sales, Tony Lau.

### 18 February 2008

The Memorandum of Understanding signing ceremony between Naim and Sarawak Timber Industry Development Corporation was held at Tanjung Manis and was witnessed by Sarawak Chief Minister, Pehin Sri Haji Abdul Taib Mahmud. Naim was represented by its Deputy Managing Director, Dr Sharifuddin Abdul Wahab while STIDC was represented by its General Manager, Datu Len Talif.



### 24 February 2008

In conjunction with the grand finals of Miss Cheongsam Malaysia 2008 held in Kuching, Naim handed over a donation of total of RM50,000 which RM20,000 to Chung Hua Middle Schools No.1, 3 & 4, RM20,000 to Chung Hua Primary Schools 1, 2, 3, 4, 5 & 6 and RM10,000 to SK English Catholic in Kuching.



### 27 February 2008

Over 1,000 people attended the Bandar Baru Permyjaya in Miri Chinese New Year Open House 2008 which was graced by Sarawak Chief Minister, Pehin Sri Haji Abdul Taib Mahmud and his wife, Datuk Amar Puan Sri Dr Hajah Laila Taib.



# events

## 1 March 2008

The winner of Naim's Chinese New Year Prima Villa Ang Pow Special Promotion in Miri, Mr. Andrew Scott Johnston from England received his RM10,000 ang pow from Miri Sales and Marketing Manager Alice Ting.



## 13 March 2008

The underwriting ceremony between Naim's unit, Dayang Enterprise Holdings Berhad and AmlInvestment Bank group was held at Hilton Kuching and was witnessed by Sarawak's Second Minister of Resource Planning & Public Utilities, YB Dato Seri Haji Awang Tengah Ali Hassan and other local dignitaries.



## 28 - 29 March 2008

Naim's Corporate Retreat 2008 was held at Damai Puri Resort and Spa of Pantai Damai, Santubong and was attended by 63 management and support staff from Kuching, Miri, Sibul and Kuala Lumpur. The two-day retreat was conducted by Deputy Managing Director, Dr Sharifuddin Abdul Wahab.



## 31 March 2008

The launching of prospectus for Naim's unit, Dayang Enterprise Holdings Berhad was performed by Deputy Prime Minister, Yang Amat Berhormat Datuk Seri Najib Tun Razak at Shangri La Hotel of Kuala Lumpur.



# diary of corporate

## diary of corporate events



**17 June 2007**

One of Singapore's leading property consultants, Ms Megan Chua conducted a one day workshop for Naim's sales and marketing team from Kuching and Miri.



**26 June 2007**

Naim's sales team from Miri took part in a one day property exhibition held in conjunction with official opening ceremony of Maybank Berhad's new branch at Tudan.

**29 June 2007**

The press conference and launching of Naim's "50 For 50 Merdeka Promotion" was held at the sales office and showroom of Wisma Naim with Deputy Managing Director, Dr Sharifuddin Abdul Wahab leading the way.



**24 August 2007**

Peter Ak Nyarong was the proud new home owner who took part in Naim's "50th Merdeka House Promotion" and received his double storey semi detached "Jade" design house in time for the 2007 Merdeka celebration.

**25 August 2007**

Naim's Charity Blood Donation Campaign 2007 was held at the ground floor of Wisma Naim, Jalan Rock in Kuching and attracted an entry of 120 donors including staff and members of the public. A similar event was also held at Pusat Bandar Baru of Bandar Baru Permyjaya in Miri where the response was encouraging especially among the residents there.



# events

## 1 September 2007

The official launching of “Naim Staff’s Sports And Recreation Club” was performed by Deputy Managing Director, Dr Sharifuddin Abdul Wahab during the Kuching leg of Naim Family Day 2007 held at Stampark Club of BDC Stampin.

## 11 September 2007

It was a proud moment for Naim after its 2006 annual report was adjudged a recipient in the annual Sarawak Chambers of Commerce of Industry merits award during the chambers’ 56th Annual Dinner.

## 16 September 2007

The symbolic crowning of the new Dewan Undangan Negeri Sarawak building was performed by Chief Minister of Sarawak, Pehin Sri Haji Abdul Taib Mahmud who poured concrete onto the flooring of Level 8 of the new building.

## 1 October 2007

For the first time ever, Naim supported the world reputed “F1 In Schools” programme and sponsored one of the teams from SMK Batu Lintang which took part in the preliminary round of the national level competition.

## 5 October 2007

The sales and marketing team from Naim took part in the “HSBC Lifestyle Fair 2007” held at HSBC Bank premise of Jalan Padungan.

## 20 October 2007

Naim’s Hari Raya Open House 2007 in Miri was attended by throngs of crowd from Bandar Baru Permyjaya and the annual event was made more memorable with the 50th birthday cake cutting ceremony by residents whose birthday fell on the same day.



# diary of corporate

## diary of corporate events



**21 October 2007**

Naim staff together with 500 people participated in the Sarawak Heart Foundation "Walk A Mile" charity function held at Sarawak Library of Petra Jaya to commemorate the heart health awareness day.



**24 October 2007**

Chief Minister of Sarawak, Pehin Sri Haji Abdul Taib Mahmud witnessed the donation handing over ceremony of RM50,000 from Tabung Amanah Naim to the Lembaga Amanah Kebajikan Melayu Miri.

**25 October 2007**

A group from Moody International, Malaysia paid a visit to Naim to conduct periodic QMS audit in Kuching and on hand in hosting the guests were Deputy Managing Director, Dr Sharifuddin Abdul Wahab as well as the team from Naim's QAQC department.



**26 October 2007**

Site inspection and visit to the MCIEA 2007 award winning Batang Balingian Bridge by the panel of judges from the Construction Industry Development Board.

**14 November 2007**

The Inspector General of Police Tan Sri Dato' Musa Hassan visited the new RM313 PGA Batu Kawa Camp site and was impressed with the project's speedy pace of development and expressed hope for the new camp to become the benchmark for future similar projects.



# events

## 27 November 2007

The 32 finalists of Miss Tourism Pagent 2007 paid a visit to Naim's showhouses at Bandar Baru Permyjaya in Miri Lakeside, Desa Ilmu of Kota Samarahan and at The Riveria. Tree planting ceremonies were performed by the winners of Miss Desa Ilmu and Miss Riveria subsidiary titles.

## 28 November 2007

The new "Naim Introducers' Scheme" was launched by Managing Director, Datuk Hasmi Hasnan during Naim's Buyer-Get-Buyer 2007 held at Miri Indoor Stadium and witnessed by 3,000 people including residents from Bandar Baru Permyjaya.

## 30 November 2007

Three thousand people from Kuching and Kota Samarahan attended Naim's Buyer-Get-Buyer 2007 held at State Indoor Stadium in Petra Jaya and witnessed the launching of the new "Naim Introducers' Scheme".

## 16 December 2007

Naim Cendera Sdn Bhd was awarded the prestigious Malaysia's Construction Industry Excellence Award 2007 for successfully completing the Bridge Over Batang Balingian in the Mukah Division, Sarawak. It was handed over to Public Works Department 13 months ahead of schedule with cost savings, zero defects and numerous innovative design features.

## 21 December 2007

The launching of Naim's Riveria Square commercial centre. These new commercial units comprise of shopping lots and malls in the heart on this top notch transaction area. It features modern architecture lifestyle, state of the art facilities, a luxurious waterfront and futuristic arcade style shops facing the tranquility of Sungai Kuap - Sungai Merdang.

## 22 December 2007

As part of Naim's staff commitment towards Corporate and Social Responsibility, they organized a Charity Children Christmas Hi Tea for 54 less fortunate children at the Salvation Army's Children Home at Jalan Upland where their Christmas Wishlist 2007 were fulfilled.



# economic outlook

## OUTLOOK FOR THE MALAYSIAN ECONOMY

The following are independent opinions from authoritative sources on the outlook for the Malaysian economy for 2008 and beyond. Unless otherwise stated these organizations have no connection with the Naim Group or its subsidiaries. All statements are copyright of their respective originators and are reproduced here under the rule of fair comment.

### The Economist Intelligence Unit, April 2008

(<http://www.economist.com/Countries/Malaysia/profile.cfm?folder=Profile-Forecast>)

- In the light of the latest GDP data, the Economist Intelligence Unit has revised up its GDP growth forecast for 2008, and now expects the economy to grow by 5.8% this year, compared with 5.5% in our February report.
- We expect consumer price inflation to average 2.8% in 2008. Price pressures are forecast to ease slightly in 2009, when we expect inflation to average 2.3%.
- The ringgit is expected to remain on an appreciating trend against the US dollar, averaging M\$3.21:US\$1 in 2008 and M\$3.15:US\$1 in 2009.
- The trade surplus will rise slightly in 2008, to US\$39.5bn, up from an estimated US\$38.1bn in 2007.
- Economic data for the fourth quarter of 2007 show the economy expanding by 7.3% year on year, the fastest pace recorded for three years. Real GDP grew by 6.3% in 2007 as a whole, up from 5.9% in 2006.

### Malaysian Institute of Economic Research (MIER)

(<http://www.mier.org.my/surveys/index.php>)

On balance, taking into account the gains in MIER indices and that indicators are still generally resilient, we stick to our earlier growth forecast of 5.4 per cent this year for the Malaysian economy until there is clearer evidence that the economy has lost momentum. It is likely that growth would remain sound in the first-half, but conditions would deteriorate in the second-half of 2008, as the Malaysian economy takes the hit from the knock-on effects. Domestic demand will be propped up by sustained 9MP spending, providing a partial cushion to the faltering global economy. In the baseline scenario, as the global economy stabilises, the Malaysian economy could shift towards its potential growth trajectory, expanding by 5.7 per cent in 2009.

### Institute of Developing Economies - Japan External Trade Organization

2007 Economic Outlook for East Asia

Forecast for the Economy in 2008: Continuing Stable Growth at 5.8%, Led Mainly by Private Domestic Demand  
In 2008, Malaysia's economy is forecast to continue posting a stable growth rate of 5.8%, accelerating by 0.1 percentage point from the 2006 rate, led mainly by expansions of domestic demand in the private sector.

Consumer confidence will remain stable, reflecting the favorable employment environment. Private consumption is forecast to grow by 7.9%, up 0.6 percentage point from the 2007 rate of 7.3%, and will continue to outpace the GDP growth rate. Although the government will further improve public services, the growth rate of government consumption is expected to be 5.5%, a rate just half as high as the 2007 rate.

Malaysia's economy in 2008 will see a small recovery of exports and brisk private domestic demand, and is forecast to continue registering a stable growth rate of 5.8%, accelerating by 0.1 percentage point from the 2007 rate of 5.7%. The inflation rate of general prices is forecast to be 2.4%, a rate more or less unchanged from 2007, reflecting the stabilization of the prices of raw materials and the appreciation of the ringgit.

### Bank Negara Malaysia Annual Report 2007

The Malaysian economy is expected to remain on a steady growth path, expanding by 5 - 6% in 2008, supported by resilient domestic demand

The outlook for the Malaysian economy in 2008 remains favourable. As a small and highly open economy, the outlook will be influenced by the current high degree of uncertainties in the global economic and financial environment, including the problems associated with the international credit markets and financial institutions. These uncertainties will have some impact on Malaysia, mainly through the trade and financial markets linkages. The resilience of the Malaysian economy to weather a slowdown in the global economy has, however, strengthened over the years, due to a number of factors. First is the emergence of domestic demand as a key driver of growth. The strong economic growth of 6.3% in 2007 was achieved due to the robust expansion in domestic activities despite a moderation in external demand. Second, Malaysia's export markets are increasingly diversified, with almost 54% of total exports to the Asian (exclude Japan) economies (2001: 46.2%). Meanwhile, the share of Malaysia's exports to US has declined to 15.6% in 2007 from 20.2% in 2001.

Against this backdrop, the Malaysian economy is projected to expand by 5 - 6% in 2008. Domestic demand is expected to remain resilient, providing strong support to the economy. While consumer and business sentiments could be affected by the prospects of a sharper than expected global economic slowdown and uncertainties in the international financial markets, the major underlying factors supporting domestic private sector activities are expected to remain generally intact in 2008. Private consumption will be supported by the steady growth in income, firm labour market conditions, high commodity prices as well as a conducive financing environment.

## OUTLOOK FOR THE SARAWAK ECONOMY

### The Brunei Times

(8<sup>th</sup> April 2008)

### Development corridor to boost Sarawak economy

Sarawak can reap tremendous benefits when its regional development corridor, the Sarawak Corridor of Renewable Energy (SCORE), is successfully implemented by 2030. State Second Finance Minister Wong Soon Koh said that Sarawak's gross domestic product (GDP) had been projected to increase five-fold to RM118 billion (\$51 billion) in 2030 from RM23 billion in 2006. He noted that its per capita income has similarly been projected to increase to RM84,077 from RM23,193 during the same period.

SCORE, one of the five regional development corridors launched throughout Malaysia, is a major initiative to transform Sarawak into a developed state by 2020. Encompassing 70,709 square kilometers and with a population of 607,800 people, SCORE stretches for 320kms along the coast from Similajau in Bintulu to Tanjung Manis in Mukah and extending into the surrounding areas and the hinterland. The core of SCORE is the energy resources, particularly hydropower (28,000 MW), coal (1.46 billion tonnes) and natural gas (40.9 trillion square cubic feet) within the Central Region of Sarawak.

### CH Williams, Talhar & Wong - Sarawak Property Market Outlook 2008

Against the risk of slower economic growth and the threat of all-round higher inflation, 2008 is expected to be another year of consolidation for the Sarawak property market. Buying sentiments in the housing sector is expected to be dampened by the uncertainty of the quantum of increase of petrol price in 2008. Fresh buying demand is unlikely to enter the housing market until after the Federal Government announcement of the increase in petrol price. New house prices are likely to remain stable at high levels due to the rising cost of building materials and labour. Sale launches of new housing projects are not expected to differ much in numbers from 2007. Apart from the on-going construction of a few retail complexes and the possibility of the start of construction of another new megamall in Kuching, activities in the retail sector are also expected to be quiet and slow.

For the industrial sector, 2008 would be another quiet year.

By the end of 2008, the completion of one or two new hotels and the start of construction of more hotels in Kuching is expected.

Note: CH Williams, Talhar and Wong occasionally act for the Naim Group in an advisory capacity.

### Standard and Poor's (Singapore)

(Ratings announcement, 19<sup>th</sup> September 2007)

The state's (Sarawak's) overall liquidity position is very strong, with cash and extra short-term liquidity amounting to Malaysian ringgit (MYR) 7 billion at year-end 2006. This is expected to cover on average 650% of annual operating expenditure from 2007-2009, and should provide Sarawak with the capacity to comfortably face any potential fiscal shocks. In addition, though the state's U.S. dollar debts are unhedged, its comfortable liquidity position should mitigate exposure risks.

The state's economy is dominated by the resources sector, which makes up about half of Sarawak's GDP. This concentration could negatively affect Sarawak should there be a sudden downturn in commodities prices or a slowdown in global demands. However, Standard & Poor's does not expect this to happen in the medium term.

### AFP (International News Agency)

(11<sup>th</sup> Feb 2008)

Malaysia launches billion\$ Sarawak development plan  
MALAYSIAN Prime Minister Datuk Seri Abdullah Ahmad Badawi has launched a development project worth nearly US\$100 billion to fuel growth in resource-rich Sarawak. Abdullah said the government would spend an initial RM5 billion (US\$1.54 billion) to kickstart the Sarawak Corridor of Renewable Energy, with private investment targeted at RM300 billion (US\$93 billion). The Sarawak plan, the last of five regional economic blueprints being rolled out, focuses on developing the State's energy resources of hydropower, coal, natural gas and petroleum. The development, distribution and consumption of energy is a core element leading to the success of the Sarawak Corridor, Abdullah said at the launch. The premier said the project aims to bring economic growth and eradicate poverty in the predominantly rural state by 2030, by creating some 800,000 jobs and luring billions in private investment. It's not going to be less than RM300 billion (ringgit). It's a huge amount but it involves large developments in various fields in Sarawak, which is a very large (state), he said.

The area earmarked for development is a 320-kilometre stretch along the Borneo coast facing the South China Sea, and covers an area of 70,708 square kilometers, 57 per cent of the state. Officials say the main engine of growth for the project is the use of hydroelectricity supplied by the Bakun Dam to power various large-scale heavy industries. Abdullah yesterday witnessed the signing of a RM5.25 billion power-supply deal between Rio Tinto Alcan and Malaysian utility Sarawak Energy Bhd for a planned aluminium smelter on Borneo island. Rio Tinto and local partner Cahaya Mata Sarawak (CMS) have proposed building a US\$2 billion smelter, which would be among the world's largest. Sarawak Energy also signed an agreement with Press Metal Bhd. to supply 510 megawatts of electricity to a RM2.5 billion aluminum smelter project that will commence operations in July 2010. Malaysian conglomerate Sime Darby Berhad and Sarawak Energy Berhad also inked a deal worth RM22 billion to manage the 2400-megawatt Bakun dam and construct its transmission cables. The two companies will also undertake a project to lay undersea power cables to transmit electricity from the dam to Peninsular Malaysia.

# financial statements

## financial statements

79	directors' report
83	statement by directors
84	statutory declaration
85	report of the auditors
86	balance sheets
88	income statements
89	statement of changes in equity
91	cash flow statements
94	notes to the financial statements



# directors' report

for the year ended 31 december 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

## Principal activities

The Company is principally engaged in investment holding and provision of management services to its subsidiaries while the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## Results

	Group RM'000	Company RM'000
Profit attributable to:		
Shareholders of the Company	76,274	27,057
Minority interest	3,864	-
	80,138	27,057

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

## Dividends

Since the end of the previous financial year, the Company paid the following dividends in respect of the year ended 31 December 2007:

- (i) a first interim dividend of 7.00 sen per ordinary share less tax at 27% totalling RM12,494,000 (equivalent to 5.11 sen net per ordinary share) on 12 June 2007; and
- (ii) a second interim dividend of 8.00 sen per ordinary share less tax at 27% totalling RM14,278,000 (equivalent to 5.84 sen net per ordinary share) on 21 December 2007.

The Directors do not recommend any final dividend to be paid for the year under review.

## Directors of the Company

Directors who served since the date of the last report are:

Datuk Abdul Hamed Bin Haji Sepawi  
Datuk Hasmi Bin Hasnan  
Dr. Sharifuddin Bin Abdul Wahab  
Ir. Suyanto Bin Osman  
Ahmad Bin Abu Bakar  
Kueh Hoi Chuang  
Abang Hasni Bin Abang Hasnan  
Y.B. Tuan Haji Hamden Bin Haji Ahmad  
Ir. Abang Jemat Bin Abang Bujang  
Datu Haji Abdul Rashid Bin Mohd Azis  
Sylvester Ajah Subah @ Ajah Bin Subah  
Professor Abang Abdullah Bin Abang Mohamad Alli (appointed on 15 May 2007)  
Leong Chin Chiew (appointed on 12 March 2008)

## directors' report

for the year ended 31 december 2007

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of the Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
<b>Shareholdings in the Company in which Directors have direct interests</b>				
Datuk Abdul Hamed Bin Haji Sepawi	13,555,100	-	1,405,100	12,150,000
Datuk Hasmi Bin Hasnan	28,918,850	-	-	28,918,850
Dr. Sharifuddin Bin Abdul Wahab	100,000	51,700	-	151,700
Ir. Suyanto Bin Osman	135,000	-	-	135,000
Kueh Hoi Chuang	144,100	-	-	144,100
<b>Shareholdings in which Datuk Abdul Hamed Bin Haji Sepawi has deemed interests</b>				
The Company	38,055,700	13,000,000	23,063,000	27,992,700
Desa Ilmu Sdn. Bhd.	8,000,000	-	-	8,000,000
Total Reliability Sdn. Bhd.	1,020,000	-	-	1,020,000
TR Bricks Sdn. Bhd.	700,000	-	-	700,000
TR Smart Piles Sdn. Bhd.	255,000	-	-	255,000
Naim Housing Sdn. Bhd.	1,000	-	-	1,000
Naim Ready Mix Sdn. Bhd.	400,000	-	-	400,000
<b>Shareholdings in which Datuk Hasmi Bin Hasnan has deemed interests</b>				
The Company	57,194,200	-	16,713,700	40,480,500
Desa Ilmu Sdn. Bhd.	8,000,000	-	-	8,000,000
Total Reliability Sdn. Bhd.	1,020,000	-	-	1,020,000
TR Bricks Sdn. Bhd.	700,000	-	-	700,000
TR Smart Piles Sdn. Bhd.	255,000	-	-	255,000
Naim Housing Sdn. Bhd.	1,000	-	-	1,000
Naim Ready Mix Sdn. Bhd.	400,000	-	-	400,000

Datuk Abdul Hamed Bin Haji Sepawi and Datuk Hasmi Bin Hasnan, by virtue of their interests in the shares of the Company, are deemed interested in the shares of the subsidiaries during the financial year to the extent the Company has an interest.

None of the other Directors in office at 31 December 2007 had any interest in the ordinary shares of the Company and of its related corporations, either at the beginning and/or end of the financial year.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements of the Company or of its related corporations, as the case may be) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business (see also Note 31 to the financial statements).

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

## Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Significant events

### 1. Proposed Islamic Securities Programmes (“ISP”)

The Company obtained on 1 October 2007 approval from the Securities Commission for its proposed issuance of Islamic Commercial Papers (“ICP”) and Islamic Medium Term Notes (“IMTN”) pursuant to an Islamic Commercial Papers Issuance Programme of RM100 million and an Islamic Medium Term Note Issuance Programme of RM500 million respectively, which will not exceed RM500 million in aggregate outstanding nominal value at any one time.

The proceeds of the ISP will be utilised to meet the syariah-compliant working capital requirements and the syariah-compliant general corporate purposes of the Group.

The ICP and IMTN have not been issued as at 31 December 2007.

### 2. Acquisition of new associates

On 27 August 2007, the Company acquired 45% equity interests in Dayang Enterprise Sdn. Bhd. (“DESB”), DESB Marine Services Sdn. Bhd. (“DMSSB”) and Fortune Triumph Sdn. Bhd. (“FTSB”) (collectively referred to as “Dayang Group”) for an aggregate cash consideration of RM87,750,000, excluding acquisition costs. The acquisitions were subject, *inter alia*, to the achievement by Dayang Group and their future subsidiaries and associates of aggregate profit after tax of at least RM34 million for the financial year ending 30 September 2008 (“Guaranteed Profit”). In the event of any shortfall in the Guaranteed Profit, a sum of RM2.7 million will be made to the Company as shortfall compensation.

# directors' report

for the year ended 31 december 2007

To effectuate the listing of Dayang Group on the Main Board of Bursa Malaysia Securities Berhad, the Company entered into conditional agreements on 28 December 2007 to transfer all of its interests in DESB, DMSSB and FTSB to Dayang Enterprise Holdings Berhad ("DEHB") in exchange for the issuance by DEHB of 110,621,700 new ordinary shares of RM0.50 each in DEHB to the Company ("the Share Exchange").

On 29 February 2008, DEHB issued a special renounceable rights issue of 20,300,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per ordinary share, out of which 9,135,000 shares were subscribed by the Company. Upon the completion of the Share Exchange and the rights issue on 29 February 2008, DEHB became a 45% owned associate of the Company.

Having obtained approval from the Securities Commission for its proposed listing on 30 January 2008 and having completed a public issue of 85,874,000 new ordinary shares of RM0.50 each at an issue price of RM1.45 per ordinary share on 17 April 2008, DEHB, in which the Company's shareholding was reduced to 34.02% following the public issue, was listed on the Main Board of Bursa Malaysia Securities Berhad on 24 April 2008.

## Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Abdul Hamed Bin Haji Sepawi

Datuk Hasmi Bin Hasnan

Kuching,

Date: 24 April 2008

# statement by directors

pursuant to section 169(15) of the companies act, 1965

In the opinion of the Directors, the financial statements set out on pages 86 to 135 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board, so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Abdul Hamed Bin Haji Sepawi

Datuk Hasmi Bin Hasnan

Kuching,

Date: 24 April 2008

# statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, **Ahmad Bin Abu Bakar**, the Director primarily responsible for the financial management of Naim Cendera Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 86 to 135 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed  
in Kuala Lumpur Wilayah Persekutuan

on 24 April 2008

**Ahmad Bin Abu Bakar**

Before me: **TEONG KIAN MENG**  
Lot 112, Tingkat Satu,  
Wisma MPL, Jalan Raja Chulan  
50200 Kuala Lumpur

# report of the auditors

to the members of naim cendera holdings berhad

We have audited the financial statements set out on pages 86 to 135. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

## In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
  - i. the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and
  - ii. the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG  
Firm Number: AF 0758  
Chartered Accountants

Wee Beng Chuan  
Partner  
Approval Number: 2677/12/08 (J)

Kuching,

Date: 24 April 2008

# balance sheets

at 31 december 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Assets</b>					
Property, plant and equipment	3	24,831	25,542	46	-
Prepaid lease payments	4	49,347	18,650	-	-
Investment in subsidiaries	5	-	-	279,962	279,962
Investment in associates	6	97,890	3,994	88,611	-
Investment in joint ventures	7	10,885	10,175	-	-
Intangible asset	8	1,363	2,133	-	-
Land held for property development	9	133,912	136,614	-	-
Other investments	10	434	449	-	-
Investment property	11	477	490	-	-
Deferred tax assets	12	1,193	588	-	-
<b>Total non-current assets</b>		<b>320,332</b>	<b>198,635</b>	<b>368,619</b>	<b>279,962</b>
Inventories	13	24,102	14,837	-	-
Property development costs	14	175,149	191,788	-	-
Trade and other receivables	15	286,266	258,699	67	36
Amount due from subsidiaries	16	-	-	14,082	13,511
Current tax assets		7,982	7,873	1,056	331
Cash and bank balances	17	93,087	122,009	29,462	28,785
<b>Total current assets</b>		<b>586,586</b>	<b>595,206</b>	<b>44,667</b>	<b>42,663</b>
<b>Total assets</b>		<b>906,918</b>	<b>793,841</b>	<b>413,286</b>	<b>322,625</b>

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Equity</b>					
Share capital	18	250,000	250,000	250,000	250,000
Reserves	19	289,318	239,816	70,570	70,285
<b>Total equity attributable to shareholders of the Company</b>		<b>539,318</b>	<b>489,816</b>	<b>320,570</b>	<b>320,285</b>
Minority interest	2(a)(v)	18,943	39,890	-	-
<b>Total equity</b>		<b>558,261</b>	<b>529,706</b>	<b>320,570</b>	<b>320,285</b>
<b>Liabilities</b>					
Loans and borrowings	20	529	1,124	-	-
Deferred tax liabilities	12	57,126	59,012	-	-
<b>Total non-current liabilities</b>		<b>57,655</b>	<b>60,136</b>	<b>-</b>	<b>-</b>
Trade and other payables	21	231,985	203,422	1,280	954
Amount due to subsidiaries	16	-	-	42,461	1,386
Loans and borrowings	20	49,963	557	48,975	-
Current tax liabilities		9,054	20	-	-
<b>Total current liabilities</b>		<b>291,002</b>	<b>203,999</b>	<b>92,716</b>	<b>2,340</b>
<b>Total liabilities</b>		<b>348,657</b>	<b>264,135</b>	<b>92,716</b>	<b>2,340</b>
<b>Total equity and liabilities</b>		<b>906,918</b>	<b>793,841</b>	<b>413,286</b>	<b>322,625</b>

The notes on pages 94 to 135 are an integral part of these financial statements.

# income statements

for the year ended 31 december 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	22	646,024	525,997	40,818	52,411
Cost of sales	22	( 506,245)	( 404,666)	-	-
<b>Gross profit</b>		<b>139,779</b>	<b>121,331</b>	<b>40,818</b>	<b>52,411</b>
Other income		7,620	8,307	-	-
Selling and distribution costs	(	4,147)	( 4,120)	-	-
Administrative expenses	(	26,943)	( 25,084)	( 2,572)	( 3,056)
Other expenses	(	21)	( 72)	-	-
Interest expense	(	1,201)	( 117)	( 1,132)	-
<b>Operating profit</b>	<b>22</b>	<b>115,087</b>	<b>100,245</b>	<b>37,114</b>	<b>49,355</b>
Share of profit after tax of equity accounted associates		7,558	831	-	-
Share of profit after tax of joint ventures	7	3,680	3,773	-	-
<b>Profit before taxation</b>		<b>126,325</b>	<b>104,849</b>	<b>37,114</b>	<b>49,355</b>
Tax expense	24	( 46,187)	( 29,420)	( 10,057)	( 14,055)
<b>Profit for the year</b>		<b>80,138</b>	<b>75,429</b>	<b>27,057</b>	<b>35,300</b>
<b>Attributable to:</b>					
Shareholders of the Company		76,274	66,229	27,057	35,300
Minority interest		3,864	9,200	-	-
<b>Profit for the year</b>		<b>80,138</b>	<b>75,429</b>	<b>27,057</b>	<b>35,300</b>
Basic/Diluted earnings per ordinary share (sen)	25	31.20	27.09		
Dividends per ordinary share (sen)	26	10.95	10.80		

The notes on pages 94 to 135 are an integral part of these financial statements.

# statements of changes in equity

for the year ended 31 december 2007

	Attributable to shareholders of the Company								
	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
<b>Group</b>									
At 1 January 2006		250,000	86,092	-	( 15,610)	139,017	459,499	36,405	495,904
Bonus issue by a subsidiary		-	-	200	-	( 200)	-	-	-
Profit for the year		-	-	-	-	66,229	66,229	9,200	75,429
Dividends paid to:									
- shareholders of the Company	26	-	-	-	-	( 35,207)	( 35,207)	-	( 35,207)
- minority shareholders		-	-	-	-	-	-	( 5,675)	( 5,675)
Treasury shares repurchased		-	-	-	( 705)	-	( 705)	-	( 705)
Acquisition of minority interest in an existing subsidiary	32	-	-	-	-	-	-	( 40)	( 40)
<b>At 31 December 2006/ At 1 January 2007</b>		<b>250,000</b>	<b>86,092</b>	<b>200</b>	<b>( 16,315)</b>	<b>169,839</b>	<b>489,816</b>	<b>39,890</b>	<b>529,706</b>
Profit for the year		-	-	-	-	76,274	76,274	3,864	80,138
Dividends paid to:									
- shareholders of the Company	26	-	-	-	-	( 26,772)	( 26,772)	-	( 26,772)
- minority shareholders		-	-	-	-	-	-	( 24,811)	( 24,811)
<b>At 31 December 2007</b>		<b>250,000</b>	<b>86,092</b>	<b>200</b>	<b>( 16,315)</b>	<b>219,341</b>	<b>539,318</b>	<b>18,943</b>	<b>558,261</b>
		(Note 18)	(Note 19)	(Note 19)	(Note 19)				

## statements of changes in equity

for the year ended 31 december 2007 (continued)

	Non-distributable			Distributable		Total RM'000
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	
<u>Company</u>						
At 1 January 2006		250,000	86,092	( 15,610)	415	320,897
Profit for the year		-	-	-	35,300	35,300
Dividends paid to shareholders of the Company	26	-	-	-	( 35,207)	( 35,207)
Treasury shares repurchased		-	-	( 705)	-	( 705)
<u>At 31 December 2006 / 1 January 2007</u>		<u>250,000</u>	<u>86,092</u>	<u>( 16,315)</u>	<u>508</u>	<u>320,285</u>
Profit for the year		-	-	-	27,057	27,057
Dividends paid to shareholders of the Company	26	-	-	-	( 26,772)	( 26,772)
<u>At 31 December 2007</u>		<u>250,000</u>	<u>86,092</u>	<u>( 16,315)</u>	<u>793</u>	<u>320,570</u>
		(Note 18)	(Note 19)	(Note 19)	(Note 19)	

The notes on pages 94 to 135 are an integral part of these financial statements.

# cash flow statements

for the year ended 31 december 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	126,325	104,849	37,114	49,355
Adjustments for:				
Allowance for diminution in value of other investments	100	-	-	-
Amortisation of intangible asset (Note 8)	770	703	-	-
Amortisation of prepaid lease payments (Note 4)	611	347	-	-
Depreciation of property, plant and equipment (Note 3)	5,962	6,348	4	-
Depreciation of investment property (Note 11)	13	13	-	-
Dividend income	( 388)	( 135)	( 39,146)	( 49,600)
Goodwill written off (Note 32)	-	5	-	-
Gain on disposal of quoted investments	( 89)	-	-	-
Loss on disposal of property plant and equipment	217	68	-	-
Interest expense	1,201	117	1,132	-
Interest income	( 3,315)	( 2,398)	( 903)	( 701)
Share of profit after tax of equity accounted associates	( 7,558)	( 831)	-	-
Share of profit after tax of joint ventures (Note 7)	( 3,680)	( 3,773)	-	-
Opening profit/(loss) before changes in working capital	120,169	105,313	( 1,799)	( 946)
Changes in working capital:				
Land held for property development	1,990	-	-	-
Inventories	964	( 1,369)	-	-
Property development costs	8,697	( 14,473)	-	-
Trade and other receivables	( 58,026)	( 61,074)	( 31)	6
Trade and other payables	28,645	67,182	326	( 201)
Amount due from/to subsidiaries	-	-	67,280	4,994
<b>Cash generated from operations</b>	<b>102,439</b>	<b>95,579</b>	<b>65,776</b>	<b>3,853</b>
Tax paid	( 39,753)	( 55,733)	( 212)	( 212)
Interest paid	( 185)	( 43)	( 118)	-
Interest received	1,210	2,398	903	701
<b>Net cash generated from operating activities</b>	<b>63,711</b>	<b>42,201</b>	<b>66,349</b>	<b>4,342</b>

# cash flow statements

for the year ended 31 december 2007 (continued)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of minority interest in an existing subsidiary (Note 32)	-	( 45)	-	-
Additional investment in an associate	-	( 980)	-	-
Acquisition of new associates	( 88,611)	-	( 88,611)	-
Acquisition of intangible asset (Note 8)	-	( 2,836)	-	-
Proceeds from disposal of other investments	4	-	-	-
Proceeds from disposal of property, plant and equipment	230	102	-	-
Acquisition of other investments	-	( 8)	-	-
Acquisition of property, plant and equipment and prepaid lease payments [Note (i)]	( 7,934)	( 8,516)	( 50)	-
(Increase)/decrease in deposits pledged to banks	( 60)	459	-	-
Dividends received	2,661	128	1,800	35,712
Distribution of profits by a joint venture	2,970	-	-	-
Interest received	1,915	-	-	-
<b>Net cash (used in)/generated from investing activities</b>	<b>( 88,825)</b>	<b>( 11,696)</b>	<b>( 86,861)</b>	<b>35,712</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repurchase of treasury shares	-	( 705)	-	( 705)
Repayment of finance lease liabilities	( 163)	( 304)	-	-
Net proceeds from revolving credits	48,975	-	48,975	-
Dividends paid to:				
- shareholders of the Company	( 26,772)	( 35,207)	( 26,772)	( 35,207)
- minority shareholders	( 24,811)	( 5,675)	-	-
Interest paid	( 1,097)	( 74)	( 1,014)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>( 3,868)</b>	<b>( 41,965)</b>	<b>21,189</b>	<b>( 35,912)</b>

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Net (decrease)/increase in cash and cash equivalents	( 28,982)	( 11,460)	677	4,142
Cash and cash equivalents at beginning of year	120,357	131,817	28,785	24,643
<b>Cash and cash equivalents at end of year [Note (ii)]</b>	<b>91,375</b>	<b>120,357</b>	<b>29,462</b>	<b>28,785</b>

#### Notes

##### (i) Acquisition of property, plant and equipment and prepaid lease payments

During the financial year, the Group and the Company acquired property, plant and equipment and prepaid lease payments as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Paid using internal funds	7,934	8,516	50	-
Financed by finance lease liabilities	-	1,750	-	-
	<b>7,934</b>	<b>10,266</b>	<b>50</b>	<b>-</b>

##### (ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits with licensed banks	32,776	47,255	10,436	10,122
Short term cash funds	42,200	45,000	19,000	17,500
Cash and bank balances	18,111	29,754	26	1,163
	<b>93,087</b>	<b>122,009</b>	<b>29,462</b>	<b>28,785</b>
Less: Deposits pledged	1,712	1,652	-	-
	<b>91,375</b>	<b>120,357</b>	<b>29,462</b>	<b>28,785</b>

The notes on pages 94 to 135 are an integral part of these financial statements.

## notes to the financial statements

Naim Cendera Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The address of its registered office is 9<sup>th</sup> Floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak, Malaysia.

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and joint ventures.

The Company is principally engaged in investment holding and provision of management services to its subsidiaries while the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The financial statements were approved by the Board of Directors on 24 April 2008.

### 1. Basis of preparation

#### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Securities.

During the year, the Group has adopted FRS 117, *Leases*. Other than the reclassification of leasehold land from property, plant and equipment to prepaid lease payments (see Note 37), the adoption of FRS 117 does not have any significant financial impact on the Group.

The MASB has also issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2007 or available for early adoption:

FRS / Interpretation	Effective date
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007
Amendment to FRS 121, <i>The Effect of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007

The Group plans to apply FRS 107, FRS 111, FRS 112, FRS 118, FRS 134 and FRS 137 initially for the annual period beginning on or after 1 January 2008. The initial application of these standards is not expected to have any material impact on the financial statements of the Group.

The Group does not currently have a date to adopt FRS 139 as the MASB has yet to announce the effective date of this standard. The impact of applying FRS 139 on the financial statements upon the first adoption thereof as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*, is not disclosed by virtue of the exemption given by FRS139.103 AB.

FRS 120, Amendment to FRS 121 and IC Interpretations 1, 2, 5, 6, 7 and 8 are not applicable to the Group. Hence, no further disclosure is warranted.

## (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

## (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

## (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

### (i) Construction activities

The Group recognises contract revenue and costs in the income statement using the percentage of completion method. The stage of completion is determined by reference to the proportion that contract costs incurred for contract work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion of construction activities, accrual of costs incurred for which claims/billings have yet to be received, estimated total contract revenue and contract costs as well as the recoverability of the carrying amount of contract work-in-progress. Total contract revenue also includes an estimation of variations that are recoverable from contract customers. The Group relies when making the estimations and judgements on, *inter alia*, past experiences and the assessment of its experienced project team (comprising Budget Review Committee, project managers and quantity surveyors).

### (ii) Property development activities

The Group recognises property development revenue and costs in the income statement using the stage of completion method. The stage of completion of properties sold is determined by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion of development activities, extent of property development costs incurred, estimated total property development revenue and costs as well as the recoverability of the development projects. In making such estimations and judgements, the Group relies, as with the construction activities explained above, *inter alia*, on past experiences and the assessment of its experienced project team.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to the periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform to the current year's presentation as well as to take into account the effect of adopting FRS 117, *Leases* (see Note 37).

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Subsidiaries are consolidated using the purchase method of accounting where the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

notes to the **financial statements**  
(continued)

Investment in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) **Associates**

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation to make, or has made, payments on behalf of the investee.

The Group's proportionate share of changes in the equity of an equity accounted associate, including those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences, that have not been recognised in the associate's profit or loss, is recognised directly in the group equity.

Investment in associates is stated in the Group/Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) **Joint ventures**

***Jointly-controlled entities***

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent, over strategic financial and operating decisions.

Jointly controlled entities are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted jointly controlled entity, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted jointly controlled entity, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation to make, or has made, payments on behalf of the joint venture.

Investment in jointly controlled entities are stated in the Group's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

***Jointly-controlled operations***

The interest of the Group in unincorporated joint ventures are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the construction activities of the joint venture.

(iv) **Changes in Group composition**

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When the group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (v) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

#### (vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy [see Note 2(u)]. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "administrative expenses" respectively in the income statements.

#### (ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statements.

#### (iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

notes to the **financial statements**  
(continued)

(iv) Depreciation

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Save for the above, depreciation is recognised in the income statements on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	5 - 50 years
Furniture and fittings	2 - 10 years
Motor vehicles	5 years
Office and factory equipment	2 - 10 years
Plant and machinery	5 - 10 years

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(c) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset [see Note 2(b)]

Minimum lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating lease

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and for which title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On the adoption of FRS 117, *Leases*, the Group now treats such a lease as an operating lease.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease.

(d) Intangible assets

(i) Goodwill

Goodwill arising on a business combination is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired.

## (ii) Other intangible assets

Rights to additional interest in construction contract

This comprises the rights to additional interest in a construction contract acquired from a joint venture partner. It is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is charged to the income statements based on the stage of completion of the contract.

## (e) Investment in equity securities

Investment in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investment in non-current equity securities other than investments in subsidiaries, associates and joint ventures, are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities (other than investments in subsidiaries, associates and joint ventures), an allowance for the diminution in value is made and recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

## (f) Investment property

Investment property is a property which is owned to earn rental income or is for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(b).

Depreciation on buildings is charged to the income statements on a straight-line basis over their estimated useful life of 50 years.

### *Determination of fair value*

The Directors estimate fair values of the investment property without the involvement of independent valuers.

## (g) Land held for property development

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle of 2 to 3 years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees, other direct development expenditure and related overheads.

## (h) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of costs and net realisable value.

## notes to the financial statements (continued)

The excess of revenue recognised in the income statement over billings to purchasers is shown as accrued billings under trade and other receivables (Note 15) while the excess of billings to purchasers over revenue recognised in the income statement is shown as progress billings under trade and other payables (Note 21).

### (i) Inventories

#### (i) Developed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

#### (ii) Other inventories

Raw materials, consumables, manufactured inventories and trading inventories are stated at the lower of cost and net realisable value with weighted average cost being the basis of cost.

The cost of inventories includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or other financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### (k) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's construction activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is shown in trade and other payables as amount due to contract customers.

### (l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (m) Impairment of assets

The carrying amounts of assets except for inventories [refer Note 2(i)], assets arising from construction contracts [refer Note 2(k)], deferred tax assets [refer Note 2(s)] and financial assets (excluding investments in subsidiaries, associates and joint ventures that are not classified as held for sale or included in a disposal group that is classified as held for sale), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

#### (n) Share capital

##### (i) Shares issue expenses

Incremental costs directly attributable to the issue of shares classified as equity are recognised as a deduction from equity.

##### (ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of the shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

#### (o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

#### (p) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or other financial asset to another entity.

#### (q) Employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### (r) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### **Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### **(s) Tax expense**

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (or tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

### **(t) Revenue recognition**

#### **(i) Construction contracts**

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statements in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to the proportion that contract costs incurred for contract work performed to date that reflect work performed bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statements.

#### **(ii) Property development**

Revenue from property development activities is recognised based on the stage of completion of properties sold measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable to be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the income statement.

#### (iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### (iv) Sales of goods

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (v) Sand extraction and land filling services

Revenue from provision of sand extraction and land filling services is recognised in the income statements based on quantity of sand filled at agreed rates.

#### (vi) Hire of equipment

Income derived from hiring of equipment is recognised as it accrues at the contracted rates.

#### (vii) Rental income

Rental income from investment property is recognised in the income statements on a straight-line basis over the term of the lease.

#### (viii) Management fees

Management fees are charged by the Company to its subsidiaries based on a percentage of the subsidiary's turnover.

#### (u) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

#### (v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### (w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

	Outright purchase				Under finance lease						
	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office and factory equipment RM'000	Plant and machinery RM'000	Assets under construction RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000
Cost											
At 1 January 2006	16,749	2,980	10,686	3,248	11,593	4,964	13,784	929	690	-	65,623
Effect of adopting FRS 117	( 16,749)	( 2,980)	-	-	-	-	-	-	-	-	( 19,729)
At 1 January 2006, restated	-	-	10,686	3,248	11,593	4,964	13,784	929	690	-	45,894
Additions	-	-	948	424	3,368	1,813	1,451	5	1,298	452	9,759
Disposals	-	-	-	( 121)	-	( 338)	-	-	-	-	( 459)
Transfers	-	-	-	-	178	-	-	-	( 178)	-	-
At 31 December 2006/ 1 January 2007, restated	-	-	11,634	3,551	15,139	6,439	15,235	934	1,810	452	55,194
Additions	-	-	334	863	2,210	1,506	218	564	-	-	5,695
Disposals	-	-	( 135)	( 240)	( 341)	( 178)	( 101)	-	( 80)	-	( 1,075)
Transfers	-	-	2	-	( 48)	929	3	( 934)	48	-	-
At 31 December 2007	-	-	11,835	4,174	16,960	8,696	15,355	564	1,778	452	59,814

### 3. Property, plant and equipment (continued)

	Outright purchase				Under finance lease						
	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office and factory equipment RM'000	Plant and machinery RM'000	Assets under construction RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000
<b>Depreciation</b>											
At 1 January 2006	879	360	695	1,816	6,813	2,894	11,075	-	300	-	24,832
Effect of adopting FRS 117	( 879)	( 360)	-	-	-	-	-	-	-	-	( 1,239)
At 1 January 2006, restated	-	-	695	1,816	6,813	2,894	11,075	-	300	-	23,593
Depreciation for the year	-	-	247	397	1,881	1,717	1,685	-	389	32	6,348
Disposals	-	-	-	( 94)	-	( 195)	-	-	-	-	( 289)
Transfers	-	-	-	-	372	-	-	-	(372)	-	-
At 31 December 2006/ 1 January 2007, restated	-	-	942	2,119	9,066	4,416	12,760	-	317	32	29,652
Depreciation for the year	-	-	254	451	2,386	1,423	1,264	-	101	83	5,962
Disposals	-	-	( 22)	( 125)	( 178)	( 125)	( 101)	-	( 80)	-	( 631)
Transfers	-	-	-	-	( 3)	-	-	-	3	-	-
At 31 December 2007	-	-	1,174	2,445	11,271	5,714	13,923	-	341	115	34,983
<b>Carrying amounts</b>											
At 1 January 2006, restated	-	-	9,991	1,432	4,780	2,070	2,709	929	390	-	22,301
At 31 December 2006/ 1 January 2007, restated	-	-	10,692	1,432	6,073	2,023	2,475	934	1,493	420	25,542
At 31 December 2007	-	-	10,661	1,729	5,689	2,982	1,432	564	1,437	337	24,831

notes to the **financial statements**  
(continued)

3. Property, plant and equipment (continued)

	Furniture and fittings RM'000
<u>Company</u>	
Cost	
Additions and balance at 31 December 2007	50
Depreciation	
Depreciation for the year (Note 22) and balance at 31 December 2007	4
Carrying amount	
At 31 December 2007	46

3.1 Assets under construction

Included in assets under construction is a new building for future use as investment property with cumulative costs incurred up to 31 December 2007 of RM565,000 (2006: Nil).

3.2 Titles of properties

Strata title to one (2006: two) building(s) costing RM101,000 (2006: RM359,000) is in the process of being obtained from the authorities.

3.3 Allocation of depreciation

Depreciation for the year is allocated as follows:

	Group	
	2007 RM'000	2006 RM'000
Income statements (Note 22)	3,844	4,555
Property development costs (Note 14)	892	1,006
Construction work-in-progress (Note 15)	1,226	787
	<u>5,962</u>	<u>6,348</u>

Depreciation of the Company for the year is charged to the income statement (see Note 22).

#### 4. Prepaid lease payments - Group

	Leasehold land		
	Unexpired term less than 50 years RM'000	Unexpired term more than 50 years RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2006	-	-	-
Effect of adopting FRS 117	2,980	16,749	19,729
At 1 January 2006, restated	2,980	16,749	19,729
Additions	112	395	507
At 31 December 2006/1 January 2007, restated	3,092	17,144	20,236
Additions	32,889	5	32,894
Transfer to property development costs (Note 14)	-	( 1,750)	( 1,750)
Disposals	( 10)	-	( 10)
Reclassification	( 1,434)	1,434	-
At 31 December 2007	34,537	16,833	51,370
<b>Amortisation</b>			
At 1 January 2006	-	-	-
Effect of adopting FRS 117	360	879	1,239
At 1 January 2006, restated	360	879	1,239
Amortisation for the year (Note 22)	38	309	347
At 31 December 2006/1 January 2007, restated	398	1,188	1,586
Amortisation for the year (Note 22)	286	325	611
Transfer to property development costs (Note 14)	-	( 173)	( 173)
Disposals	( 1)	-	( 1)
Reclassification	( 202)	202	-
At 31 December 2007	481	1,542	2,023
<b>Carrying amounts</b>			
At 1 January 2006, restated	2,620	15,870	18,490
At 31 December 2006/1 January 2007, restated	2,694	15,956	18,650
At 31 December 2007	34,056	15,291	49,347

notes to the **financial statements**  
(continued)

4.1 Titles of land

The title(s) to seven (2006: one) parcel(s) of long-term leasehold land costing RM3,359,000 (2006: RM2,016,000) have yet to be issued by the relevant authorities.

Two (2006: Three) parcels of long-term leasehold land costing RM1,749,000 (2006: RM16,747,000) have only been issued with provisional titles by the relevant authorities.

The titles to four (2006: four) parcels of short-term leasehold land costing RM25,000 (2006: RM25,000) belonging to a subsidiary are registered in the name of another subsidiary holding them in trust for the former.

4.2 Included in additions to prepaid lease payments is an amount of RM30,655,000 (2006: Nil) received as payment in-kind for the construction contract work carried out by a subsidiary.

5. Investment in subsidiaries - Company

	2007 RM'000	2006 RM'000
Unquoted shares, at cost	279,962	279,962

The principal activities of the subsidiaries, all of which are incorporated in Malaysia, and the Company's interest therein are as follows:

Name of subsidiary	Principal activities	Effective ownership interest (%)	
		2007	2006
Naim Cendera Sdn. Bhd. ("NCSB")	Property developer and civil and building contractor	100.0	100.0
<b>Subsidiaries of NCSB</b>			
Total Reliability Sdn. Bhd. ("TRSB")	Civil and building contractor	51.0	51.0
Desa Ilmu Sdn. Bhd.	Property developer	60.0	60.0
Naim Citra Sdn. Bhd.	Civil contractor	100.0	100.0
NCSB Engineering Sdn. Bhd.	Civil and earthwork contractor and hire of machinery	100.0	100.0
TR Smart Piles Sdn. Bhd.	Manufacture and sale of reinforced concrete (RC) piles	51.0	51.0
TR Green Sdn. Bhd.	Contractor for landscaping services	100.0	100.0
Naim Cendera Dua Sdn. Bhd.	Trading of construction materials	100.0	100.0
Naim Commercial Sdn. Bhd.	Property developer	100.0	100.0
Khidmat Mantap Sdn. Bhd.	Property developer	100.0	100.0
Naim Management Sdn. Bhd.	Provision of project management services	100.0	100.0
Naim Ready Mix Sdn. Bhd.	Manufacture of RC piles and provision of site clearing and earthwork	80.0	80.0

## 5. Investment in subsidiaries - Company (continued)

Name of subsidiary	Principal activities	Effective ownership interest (%)	
		2007	2006
Yakin Pelita Sdn. Bhd.	Property investment	100.0	100.0
Naim Equipment Sdn. Bhd.	Supply and installation of equipment	100.0	100.0
Dataran Wangsa Sdn. Bhd.	Property developer	100.0	100.0
Peranan Makmur Sdn. Bhd.	Property investment	100.0	-
Naim Cendera Lapan Sdn. Bhd.	Dormant	100.0	100.0
Naim Realty Sdn. Bhd.	Dormant	100.0	100.0
Naim Cendera Tujuh Sdn. Bhd.	Dormant	100.0	100.0
Yakin Jelas Sdn. Bhd.	Dormant	100.0	100.0
Naim Utilities Sdn. Bhd.	Dormant	100.0	100.0
Naim Incorporated Berhad	Dormant	100.0	100.0
Akademi Binaan Naim Sdn. Bhd. (formerly known as Teroka Juta Sdn. Bhd.)	Dormant	100.0	-
Jelas Kemuncak Sdn. Bhd.	Dormant	100.0	-
Peranan Prima Sdn. Bhd.	Dormant	100.0	-
Peranan Pakatan Sdn. Bhd.	Dormant	100.0	-
Simbol Warisan Sdn. Bhd.	Dormant	100.0	-
Warisan Makna Sdn. Bhd.	Dormant	100.0	-
<b>Subsidiaries of TRSB</b>			
TR Bricks Sdn. Bhd.	Manufacture and sale of bricks	45.0	45.0
Naim Housing Sdn. Bhd.	Dormant	70.6	70.6

notes to the **financial statements**  
(continued)

6. Investment in associates

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares, at cost	91,083	2,472	88,611	-
Share of post-acquisition reserves	6,807	1,522	-	-
	<b>97,890</b>	<b>3,994</b>	<b>88,611</b>	<b>-</b>

Details of the associates of the Group, which are incorporated in Malaysia, are as follows:

	Effective equity interest %	Revenue (100%) RM'000	Profit/ (Loss) after tax (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
<b>2007</b>					
Dayang Enterprise Sdn. Bhd.	45.0	45,119 +	12,330 +	108,465	35,483
DESB Marine Services Sdn. Bhd.	45.0	10,394 +	1,744 +	142,165	84,780
Fortune Triumph Sdn. Bhd.	45.0	1,407 +	661 +	5,459	435
Syarikat Usahasama Naim-RSB Sdn. Bhd.	49.0 <sup>^</sup>	*	( 1)	*	5
TR Concrete Sdn. Bhd.	17.9 <sup>#</sup>	12,100	1,431	11,782	3,942
SINOHYDRONAIM Sdn. Bhd.	49.0 <sup>^</sup>	24,251	865	12,072	8,585
		<b>93,271</b>	<b>17,030</b>	<b>279,943</b>	<b>133,230</b>
<b>2006</b>					
Syarikat Usahasama Naim-RSB Sdn. Bhd.	49.0 <sup>^</sup>	*	( 1)	*	4
TR Concrete Sdn. Bhd.	17.9 <sup>#</sup>	13,088	1,518	11,301	3,541
SINOHYDRONAIM Sdn. Bhd.	49.0 <sup>^</sup>	14,891	613	7,710	5,097
		<b>27,979</b>	<b>2,130</b>	<b>19,011</b>	<b>8,642</b>

+ Representing post acquisition results of associates

\* Negligible

<sup>^</sup> Held through NCSB

<sup>#</sup> Held through TRSB

## 7. Investment in joint ventures

The Group's interest in the assets and liabilities, revenue and expenses of joint ventures are as follows:

	Group	
	2007 RM'000	2006 RM'000
Non-current assets	82	123
Current assets	31,230	25,048
Current liabilities	( 20,427)	( 14,996)
<b>Share of assets</b>	<b>10,885</b>	<b>10,175</b>
Income	67,801	73,853
Expenses	( 62,760)	( 68,613)
Share of profit before taxation	5,041	5,240
Tax expense (Note 24)	( 1,361)	( 1,467)
<b>Share of profit after taxation</b>	<b>3,680</b>	<b>3,773</b>

Details of the jointly controlled entities/operations of the Group are as follows:

Name	Principal activities	Proportion of ownership interest	
		2007 %	2006 %
Konsortium Javel Naim Cendera	Construction contractor	50	50
PPES Works - Naim Cendera JV	Construction contractor	45	45
Syarikat Usahasama Naim Cendera Sdn. Bhd. - RSB Management Services Sdn. Bhd. JV	Construction contractor	90	90
Naim-PW JV	Construction contractor	51	51

notes to the **financial statements**  
(continued)

8. Intangible asset

	Rights to additional interest in construction contract RM'000
<b>Cost</b>	
At 1 January 2006	-
Acquisition of rights	2,836
<hr/>	
At 31 December 2006 and 31 December 2007	2,836
<hr style="border-top: 1px dashed #000;"/>	
<b>Amortisation</b>	
At 1 January 2006	-
Amortisation for the year (Note 22)	703
<hr/>	
At 31 December 2006/1 January 2007	703
Amortisation for the year (Note 22)	770
<hr/>	
	1,473
<hr style="border-top: 1px dashed #000;"/>	
<b>Carrying amounts</b>	
At 31 December 2006/ 1 January 2007	2,133
<hr style="border-top: 1px dashed #000;"/>	
At 31 December 2007	1,363
<hr style="border-top: 1px dashed #000;"/>	

This represents the cost incurred to acquire the rights to additional interest in a construction contract from a joint venture partner.

9. Land held for property development - Group

	RM'000
At 1 January 2006	143,206
Transfer to property development costs (Note 14)	( 6,592)
<hr/>	
At 31 December 2006 / 1 January 2007	136,614
Transfer to property development costs (Note 14)	( 712)
Disposal	( 1,990)
<hr/>	
At 31 December 2007	133,912
<hr style="border-top: 1px dashed #000;"/>	

## 10. Other investments

Group		
	2007 RM'000	2006 RM'000
<b>Non-current</b>		
Quoted shares in Malaysia, at cost	592	637
Less: Allowance for diminution in value	( 312)	( 312)
	280	325
Unit trusts, at cost	316	186
Less: Allowance for diminution in value	( 162)	( 62)
	154	124
	434	449
<b>Market value of:</b>		
- quoted shares (Note 28)	573	592
- unit trusts (Note 28)	317	243

## 11. Investment property - Group

	Buildings RM'000
<b>Cost</b>	
At 1 January 2006, 31 December 2006 and 31 December 2007	750
<b>Depreciation</b>	
At 1 January 2006	247
Depreciation for the year (Note 22)	13
At 31 December 2006/1 January 2007	260
Depreciation for the year (Note 22)	13
At 31 December 2007	273
<b>Carrying amounts</b>	
At 1 January 2006	503
At 31 December 2006/1 January 2007	490
At 31 December 2007	477
<b>Estimated fair value</b>	
At 1 January 2006	800
At 31 December 2006/1 January 2007	800
At 31 December 2007	863

notes to the **financial statements**  
(continued)

## 12. Deferred tax assets and liabilities - Group

### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment	593	366	( 1,346)	( 829)	( 753)	( 463)
Capital allowance carry-forwards	-	21	-	-	-	21
Tax loss carry-forwards	139	139	-	-	139	139
Allowance for foreseeable losses	954	245	-	-	954	245
Fair value adjustment on acquisition of subsidiaries *	-	-	( 56,273)	( 58,366)	( 56,273)	( 58,366)
<b>Tax assets/(liabilities)</b>	<b>1,686</b>	<b>771</b>	<b>( 57,619)</b>	<b>( 59,195)</b>	<b>( 55,933)</b>	<b>( 58,424)</b>
Set off of tax	( 493)	( 183)	493	183	-	-
<b>Net tax assets/ (liabilities)</b>	<b>1,193</b>	<b>588</b>	<b>( 57,126)</b>	<b>( 59,012)</b>	<b>( 55,933)</b>	<b>( 58,424)</b>

\* This relates to the land held for property development, property development costs as well as property, plant and equipment of the subsidiaries acquired in July 2003. This deferred tax liability is reversed to the income statements progressively when the subject land is developed and/or sold or when the property, plant and equipment are amortised/depreciated, as the case may be.

### *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007 RM'000	2006 RM'000
Property, plant and equipment	( 17)	( 13)
Tax loss carry-forwards	4	175
Capital allowance carry-forwards	551	551
	<b>538</b>	<b>713</b>

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Movements in temporary differences during the year are as follows:

	At 1.1.2006 RM'000	Recognised in income statement RM'000	At 31.12.2006 RM'000	Recognised in income statement RM'000	At 31.12.2007 RM'000
<b>Group</b>					
Property, plant and equipment	( 324)	( 139)	( 463)	( 290)	( 753)
Capital allowance carry-forwards	21	-	21	( 21)	-
Tax loss carry-forwards	139	-	139	-	139
Allowances	89	156	245	709	954
Fair value adjustment on acquisition of subsidiaries	( 61,758)	3,392	( 58,366)	2,093	( 56,273)
	( 61,833)	3,409	( 58,424)	2,491	( 55,933)
		(Note 24)		(Note 24)	

Unabsorbed capital allowance carry-forwards and unutilised tax loss carry-forwards do not expire under the current tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

### 13. Inventories

	Group	
	2007 RM'000	2006 RM'000
<b>At cost</b>		
Developed properties held for sale	19,681	10,303
Manufactured/trading inventories (construction and building materials)	3,719	3,802
Raw materials	161	253
Consumables	541	479
	24,102	14,837

### 14. Property development costs - Group

	Land RM'000	Development costs RM'000	Accumulated costs charged to income statement RM'000	Total RM'000
At 1 January 2006	118,376	214,442	( 165,280)	167,538
Transfer from land held for property development (Note 9)	6,592	-	-	6,592
Costs incurred during the year	4,755	160,655	-	165,410
Costs charged to income statement	-	-	( 145,024)	( 145,024)
Transfer of completed properties to inventories, net of sales	( 1,238)	( 17,330)	15,840	( 2,728)
<b>At 31 December 2006</b>	<b>128,485</b>	<b>357,767</b>	<b>( 294,464)</b>	<b>191,788</b>

notes to the **financial statements**  
(continued)

14. Property development costs - Group (continued)

	Land RM'000	Development costs RM'000	Accumulated costs charged to income statement RM'000	Total RM'000
At 1 January 2007	128,485	357,767	( 294,464)	191,788
Transfer from land held for property development (Note 9)	712	-	-	712
Transfer from prepaid lease payments (Note 4)	1,577	-	-	1,577
Costs incurred during the year	( 1,230)	141,893	-	140,663
Costs charged to income statement	-	-	( 149,362)	( 149,362)
Transfer of completed properties to inventories, net of sales	( 29,817)	( 119,140)	138,728	( 10,229)
<b>At 31 December 2007</b>	<b>99,727</b>	<b>380,520</b>	<b>( 305,098)</b>	<b>175,149</b>

Property development costs incurred during the financial year include:

	Group	
	2007 RM'000	2006 RM'000
Depreciation of property, plant and equipment (Note 3)	892	1,006
Personnel expenses (including key management personnel):		
- contributions to the Employees Provident Fund	306	365
- wages, salaries and others	4,813	3,515
Rental of premises	-	6

15. Trade and other receivables

	Group		Compan	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Trade</b>				
Trade receivables	95,784	89,324	-	-
Less: Allowance for doubtful debts	( 279)	( 48)	-	-
	95,505	89,276	-	-
Progress billings receivables	148,005	85,854	-	-
Accrued billings	20,777	11,869	-	-
Amount due from contract customers (see ensuing page)	5,330	53,447	-	-
Amount due from associates	925	1,693	-	-
Amount due from joint ventures	10,919	8,396	-	-
	<b>281,461</b>	<b>250,535</b>	-	-

## 15. Trade and other receivables (continued)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Non-trade</b>				
Deposits	2,559	5,883	-	-
Prepayments	30	8	-	-
Other receivables	1,847	1,393	67	36
Amount due from associates	3	177	-	-
Amount due from joint ventures	366	703	-	-
	4,805	8,164	67	36
<b>Total</b>	<b>286,266</b>	<b>258,699</b>	<b>67</b>	<b>36</b>

### 15.1 Amount due from contract customers

	Group	
	2007 RM'000	2006 RM'000
Aggregate costs incurred to date	575,363	395,730
Attributable profits	107,733	84,135
Progress billings	683,096 ( 738,547)	479,865 ( 448,817)
	( 55,451)	31,048
Amount due to contract customers reclassified to trade and other payables (Note 21)	60,781	22,399
<b>Amount due from contract customers</b>	<b>5,330</b>	<b>53,447</b>

### Additions to aggregate costs incurred during the year include:

	Group	
	2007 RM'000	2006 RM'000
Depreciation of property, plant and equipment (Note 3)	1,226	787
Personnel expenses (including key management personnel):		
- contributions to the Employees Provident Fund	363	453
- wages, salaries and others	9,329	6,562
Hire of equipment	55	405
Rental of premises	29	1,972

15.2 Trade receivables include an amount of RM14,000 due from a Director of the Company.

notes to the **financial statements**  
(continued)

**15. Trade and other receivables (continued)**

15.3 Included in progress billings receivables of the Group are retention sums of RM2,327,000 (2006: RM1,765,000) relating to construction contracts. The retentions are unsecured, interest free and are expected to be collected as follows:

	Group	
	2007 RM'000	2006 RM'000
Within 1 year	1,440	310
1 - 2 years	286	580
2 - 3 years	601	310
3 - 4 years	-	565
	<b>2,327</b>	<b>1,765</b>

**16. Amounts due from/to subsidiaries - Company**

Included in amount due from subsidiaries is an amount of RM13,313,000 (2006: RM11,742,000) which is non-trade in nature, unsecured and interest free. The remaining balance is trade in nature.

The amounts due to subsidiaries are non-trade in nature and unsecured. Except for an amount of RM30,000,000 bearing interest at 4.20% (2006: Nil) per annum, the remaining balance is interest free.

**17. Cash and bank balances**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed deposits placed with licensed banks	32,776	47,255	10,436	10,122
Short term cash funds	42,200	45,000	19,000	17,500
Cash and bank balances	18,111	29,754	26	1,163
	<b>93,087</b>	<b>122,009</b>	<b>29,462</b>	<b>28,785</b>

Fixed deposits of the Group amounting to RM1,712,000 (2006: RM1,652,000) are pledged to banks to secure bank guarantee facilities granted to a subsidiary.

**18. Share capital**

	Group and Company			
	Amount		Number of shares	
	2007 RM'000	2006 RM'000	2007 '000	2006 '000
<b>Authorised</b>				
Ordinary shares of RM1.00 each	500,000	500,000	500,000	500,000
<b>Issued and fully paid</b>				
Ordinary shares of RM1.00 each				
Opening and closing balances	250,000	250,000	250,000	250,000

## 19. Reserves

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Share premium	86,092	86,092	86,092	86,092
Capital reserve	200	200	-	-
Retained earnings	219,341	169,839	793	508
Treasury shares	( 16,315)	( 16,315)	( 16,315)	( 16,315)
	<b>289,318</b>	<b>239,816</b>	<b>70,570</b>	<b>70,285</b>

### Capital reserve

This consists of the Group's share of bonus issues by a subsidiary.

### Retained earnings - Section 108 tax credit

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit at 31 December 2007 to distribute all of its retained earnings as franked dividends.

The Company may however elect for early migration to the single-tier company income tax system enacted via the Finance Act 2007, under which retained earnings are distributable as exempt dividends. The system, which is effective from 1 January 2008, allows for a transitional period of six years. Unless so migrated to the system, the Section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon the expiry of the transitional period on 31 December 2013, whichever is earlier.

### Treasury shares

The shareholders of the Company, via an ordinary resolution passed in the annual general meeting held on 24 May 2007, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

Total number of shares repurchased as at 31 December 2007 is 5,509,000 (2006: 5,509,000). The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

There were no shares repurchased during the current financial year.

## 20. Loans and borrowings

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Non-current</b>				
Finance lease liabilities	529	1,124	-	-
<b>Current</b>				
Unsecured bankers' acceptances	412	-	-	-
Unsecured revolving credits	48,975	-	48,975	-
Finance lease liabilities	576	557	-	-
	<b>49,963</b>	<b>557</b>	<b>48,975</b>	<b>-</b>
<b>Total</b>	<b>50,492</b>	<b>1,681</b>	<b>48,975</b>	<b>-</b>

notes to the **financial statements**  
(continued)

## 20. Loans and borrowings (continued)

### 20.1 Security

The revolving credits facility of the Company is granted on a clean basis.

The bankers' acceptances as well as overdraft facilities of a subsidiary are secured by a corporate guarantee of another subsidiary as well as guaranteed by its directors.

### 20.2 Significant covenants for revolving credits facility granted to the Company

The Company is required at all times to maintain an equity interest (direct or indirect via its subsidiaries) in the Dayang Group (see Note 34) of:

Prior to the listing of Dayang Group : not less than 45%  
Upon and subsequent to the listing of Dayang Group : not less than 33%.

### 20.3 Terms and debts repayment schedule

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
<u>Group</u>					
2007					
Finance lease liabilities	2009 - 2011	1,105	576	402	127
Unsecured bankers' acceptances	2008	412	412	-	-
Unsecured revolving credits	2008	48,975	48,975	-	-
		50,492	49,963	402	127
=====					
2006					
Finance lease liabilities	2009 - 2011	1,681	557	1,037	87
=====					
<u>Company</u>					
2007					
Unsecured revolving credits	2008	48,975	48,975	-	-
=====					

### 20.4 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2007			2006		
	Minimum lease payments RM'000	Interest RM'000	Principal RM'000	Minimum lease payments RM'000	Interest RM'000	Principal RM'000
<u>Group</u>						
Less than one year	625	49	576	640	83	557
Between one and two years	440	38	402	1,127	90	1,037
Between two and five years	130	3	127	88	1	87
	1,195	90	1,105	1,855	174	1,681
=====						

## 21. Trade and other payables

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Trade</b>				
Trade payables	105,151	108,348	-	-
Progress billings	14,900	12,359	-	-
Amount due to contract customers (Note 15)	60,781	22,399	-	-
Amount due to associates	8,286	3,822	-	-
	<b>189,118</b>	<b>146,928</b>	-	-
<b>Non-trade</b>				
Accruals	9,572	9,455	1,188	442
Other payables	24,881	41,347	92	512
Amount due to associates	-	3	-	-
Advance payments received from property buyers and contract customers	7,212	2,714	-	-
Land usage conversion premium payable	1,202	2,975	-	-
	<b>42,867</b>	<b>56,494</b>	<b>1,280</b>	<b>954</b>
<b>Total</b>	<b>231,985</b>	<b>203,422</b>	<b>1,280</b>	<b>954</b>

21.1 Included in trade payables of the Group are retention sums and performance bonds amounting to RM31,999,000 (2006: RM16,296,000).

21.2 Accruals as at 31 December 2006 included an amount of RM1,656,000 accrued for state land alienated to a subsidiary. The amount has been settled during the current financial year.

21.3 Other payables of the Group includes an amount owing to a minority shareholder of a subsidiary of RM144,000 (2006: RM144,000) for the acquisition of land.

## 22. Revenue and operating profit

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Revenue</b>				
Sale of development properties and vacant land	229,224	213,977	-	-
Contract revenue	372,715	271,004	-	-
Sale of goods	43,842	40,045	-	-
Hire of equipment	228	967	-	-
Sand extraction and land filling	15	2	-	-
Landscaping and turfing	-	2	-	-
Management fees	-	-	769	2,110
Interest income	-	-	346	276
Dividend income from:				
- subsidiaries (unquoted)	-	-	36,680	49,600
- associate (unquoted)	-	-	2,466	-
Realised interest/profit earned on short-term funds	-	-	557	425
	<b>646,024</b>	<b>525,997</b>	<b>40,818</b>	<b>52,411</b>

notes to the **financial statements**  
(continued)

22. Revenue and operating profit (continued)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Cost of sales</b>				
Cost of development properties and vacant land sold	142,335	144,546	-	-
Contract costs recognised as an expense	321,901	219,984	-	-
Cost of goods sold	42,009	40,136	-	-
	<b>506,245</b>	<b>404,666</b>	-	-
<b>Operating profit is arrived at after crediting:</b>				
Dividend income from:				
- quoted shares in Malaysia	342	127	-	-
- unit trusts	46	8	-	-
Gain on disposal of quoted investments	89	-	-	-
Hire of machineries	42	-	-	-
Interest received from:				
- fixed deposits	2,643	2,371	-	-
- others	672	27	-	-
Rental income from property lease	905	307	-	-
Reversal of allowance for doubtful debts	-	2,539	-	-
Reversal of property development costs previously written off	-	1,302	-	-
Realised foreign exchange gain	175	-	-	-
<b>Operating profit is arrived at after charging:</b>				
Allowance for diminution in value of investment	100	-	-	-
Allowance for doubtful debts	231	2	-	-
Amortisation of intangible asset (Note 8)	770	703	-	-
Amortisation of prepaid lease payments (Note 4)	611	347	-	-
Auditors' remuneration:				
- statutory audit	240	198	20	15
- other services	423	51	-	-
Depreciation of property, plant and equipment (Note 3)	3,844	4,555	4	-
Depreciation of investment property (Note 11)	13	13	-	-
Goodwill written off (Note 32)	-	5	-	-
Interest expense on:				
- bankers' acceptances	80	3	-	-
- bank overdraft	2	-	-	-
- finance lease liabilities	84	71	-	-
- revolving credits	1,014	-	1,014	-
- others	21	43	118	-
Inventories written off	135	26	-	-
Loss on disposal of property plant and equipment	217	68	-	-
Personnel expenses (including key management personnel):				
- contributions to the Employees Provident Fund	3,020	1,816	87	217
- wages, salaries and others	39,511	22,942	822	2,359
Rental of equipment	305	78	2	-
Rental of premises	421	400	-	-

## 23. Key management personnel compensations

Compensations to key management personnel are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of the Company				
- Fees	354	377	344	365
- Short term employee benefits (including estimated benefits-in-kind)	6,032	5,120	115	112
	<b>6,386</b>	<b>5,497</b>	<b>459</b>	<b>477</b>
Other directors and key management personnel				
- Fees	154	58	-	-
- Short term employee benefits (including estimated benefits-in-kind)	6,246	6,746	394	761
	<b>6,400</b>	<b>6,804</b>	<b>394</b>	<b>761</b>
<b>Total</b>	<b>12,786</b>	<b>12,301</b>	<b>853</b>	<b>1,238</b>

Other key management personnel comprises persons, other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

## 24. Tax expense

Recognised in the income statements

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax expense				
Malaysian - current year	45,287	33,113	10,106	14,000
- prior years	3,391	( 284)	( 49)	55
	<b>48,678</b>	<b>32,829</b>	<b>10,057</b>	<b>14,055</b>
Deferred tax expense (Note 12)				
- current year	( 2,844)	( 3,324)	-	-
- prior year	353	( 85)	-	-
	<b>( 2,491)</b>	<b>( 3,409)</b>	<b>-</b>	<b>-</b>
<b>Total tax expense</b>	<b>46,187</b>	<b>29,420</b>	<b>10,057</b>	<b>14,055</b>

notes to the **financial statements**  
(continued)

24. Tax expense (continued)

Reconciliation of tax expense

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit for the year	80,138	75,429	27,057	35,300
Total tax expense	46,187	29,420	10,057	14,055
Profit excluding tax	126,325	104,849	37,114	49,355
Share of tax of equity accounted associates	2,545	296	-	-
Share of tax of joint ventures (Note 7)	1,361	1,467	-	-
	<b>130,231</b>	<b>106,612</b>	<b>37,114</b>	<b>49,355</b>
Tax calculated using Malaysian tax rate of 27% (2006: 28%)	35,162	29,869	10,021	13,820
Effect of lower tax rate for certain subsidiaries/associates/joint ventures ^	( 362)	( 261)	-	-
Effect of change in tax rate *	( 1,642)	647	-	-
Non-deductible expenses	5,837	1,144	85	180
Unrecognised deferred tax assets	( 25)	153	-	-
	38,970	31,552	10,106	14,000
Under-/(Over-)provision in prior years	3,744	( 369)	( 49)	55
Back duty tax #	7,379	-	-	-
	11,123	( 369)	( 49)	55
Tax expense recognised in the income statement	50,093	31,183	10,057	14,055
Share of tax of equity accounted associates and joint ventures	( 3,906)	( 1,763)	-	-
<b>Total tax expense</b>	<b>46,187</b>	<b>29,420</b>	<b>10,057</b>	<b>14,055</b>

# The back duty tax is in respect of years of assessment 1999 to 2004.

^ With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000. The remaining chargeable income is subject to corporate tax at 27% (2006: 28%).

\* The Malaysian corporate tax rate is 27% for year of assessment 2007 and will be 26% and 25% for years of assessment 2008 and 2009 respectively, based on the announcements in the 2007 and 2008 Budgets. The Group provides deferred tax at 25% (2006: 26%).

## 25. Earnings per ordinary share - Group

### Basic/Diluted earnings per ordinary share

The calculation of basic/diluted earnings per ordinary share at 31 December 2007 was based on the profit attributable to ordinary shareholders of RM76,274,000 (2006: RM66,229,000) and a weighted average number of ordinary shares outstanding of 244,491,000 (2006: 244,491,000).

### Weighted average number of ordinary shares

	2007 '000	2006 '000
Issued ordinary shares, net of shares bought back at beginning of year	244,491	244,728
Effect of ordinary shares repurchased	-	( 237)
<b>Weighted average number of ordinary shares at end of year</b>	<b>244,491</b>	<b>244,491</b>

## 26. Dividends

Dividends recognised in the current year by the Company comprise:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
<b>2007</b>			
First interim 2007 ordinary	5.11	12,494	12 June 2007
Second interim 2007 ordinary	5.84	14,278	21 December 2007
<b>Total amount</b>		<b>26,772</b>	
<b>2006</b>			
Interim 2006 ordinary	10.80	26,405	5 June 2006
Second interim 2005 ordinary	3.60	8,802	8 March 2006
<b>Total amount</b>		<b>35,207</b>	

The dividends per ordinary share as disclosed in the income statements relates to the total dividends declared or proposed for the financial year.

## 27. Segmental information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise investment income, interest expense, share of profit after tax of equity accounted associates and joint ventures and corporate taxes.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, prepaid lease payments and intangible asset other than goodwill.

notes to the **financial statements**  
(continued)

27. Segmental information (continued)

Business segments

The Group comprises the following three main business segments:

- Property development - Development of residential and commercial properties.
- Construction - Construction of buildings, roads and bridges.
- Others - Manufacture and sale of construction materials, provision of sand extraction and land filling services, property investment holdings, rental equipment, charter of marine vessels as well as provision of offshore topside maintenance services, minor fabrication works and offshore hook up and commissioning.

All the business segments are operated solely in Malaysia, and as such, segmental reporting by geographical locations is not presented.

	Property development		Construction		Others		Elimination		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Total external revenue	229,224	213,977	372,715	271,004	44,085	41,016	-	-	646,024	525,997
Inter segment revenue	-	2,164	-	-	20,110	14,433	( 20,110)	( 16,597)	-	-
<b>Total segment revenue</b>	<b>229,224</b>	<b>216,141</b>	<b>372,715</b>	<b>271,004</b>	<b>64,195</b>	<b>55,449</b>	<b>( 20,110)</b>	<b>( 16,597)</b>	<b>646,024</b>	<b>525,997</b>
<b>Segment result</b>	<b>78,562</b>	<b>62,367</b>	<b>35,506</b>	<b>33,160</b>	<b>4,789</b>	<b>4,508</b>	<b>( 5,312)</b>	<b>( 1,600)</b>	<b>113,545</b>	<b>98,435</b>
Unallocated expenses									( 572)	( 580)
Results from operating activities									112,973	97,855
Investment income									3,315	2,507
Interest expense									( 1,201)	( 117)
Share of profit after tax of equity accounted associates and joint ventures									11,238	4,604
Tax expense									( 46,187)	(29,420)
<b>Profit for the year</b>									<b>80,138</b>	<b>75,429</b>

## 27. Segmental information (continued)

	Property development		Construction		Others		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Segment assets	435,842	469,740	295,447	254,048	66,420	55,435	797,709	779,223
Investment in associates	-	-	1,703	1,280	96,187	2,714	97,890	3,994
Investment in joint ventures	-	-	10,885	10,175	-	-	10,885	10,175
	435,842	469,740	308,035	265,503	162,607	58,149	906,484	793,392
Other investments							434	449
<b>Total assets</b>							<b>906,918</b>	<b>793,841</b>
Segment liabilities	139,208	135,385	145,792	99,307	63,657	29,443	348,657	264,135
Capital expenditure	32,429	3,145	3,491	8,484	2,669	1,473	38,589	13,102
Depreciation and amortisation of tangible assets	1,894	2,292	4,108	4,007	584	409	6,586	6,708
Amortisation of intangible asset	-	-	770	703	-	-	770	703

These are no significant non-cash expenses other than depreciation and amortisation.

## 28. Financial instruments

The Board of Directors undertakes on-going reviews to identify, assess and manage key financial risks to which Group activities are exposed.

### Credit risk

Most of the construction projects undertaken by the Group are government funded. Prior to tendering for construction contracts, credit evaluation on potential customers is carried out. The management regularly reviews the credit risks of customers and takes appropriate measures to enhance credit control procedures. On the other hand, the Group's exposure to credit risk for property development is low as titles to properties are only transferred to purchasers upon full settlement of the purchase consideration.

Cash and cash equivalents are only placed with licensed banks and finance companies.

notes to the **financial statements**  
(continued)

At balance sheet date, there are no significant concentrations of credit risk other than the following:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Amount due from subsidiaries	-	-	11,106	10,876
Trade receivables from: SPNB *				
- sales of land	23,094	67,270	-	-
- contract progress billings	74,840	-	-	-
	97,934	62,270	-	-
Jabatan Kerja Raya				
- contract progress billings	41,408	-	-	-
	139,342	67,270	11,106	10,876

\* Syarikat Perumahan Negara Berhad ("SPNB") is wholly owned by the Minister of Finance (Incorporated). Titles to the land will only be transferred upon the full settlement of the purchase consideration.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

## 28. Financial instruments (continued)

### Foreign currency risk

The Group is not exposed to significant foreign currency risk as its transactions are denominated in Ringgit Malaysia, except for certain acquisitions of equipment during the year which were transacted in U.S. Dollar (USD). There is no outstanding balance denominated in USD as at year end.

### Liquidity risk

The Group constantly manages its cash flow to ensure availability of funds to meet its working capital requirements by maintaining a sufficient level of banking facilities and cash and cash equivalents.

### Interest rate risk

The Group finances its daily operations through a mixture of internally generated funds and bank borrowings. Borrowings with floating interest rates expose the Group to certain elements of risk when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk on an on-going basis, working within an agreed framework, to ensure that there are no undue exposures to this risk. The management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the situation and the outlook of the financial market.

The investment in interest-bearing assets is mainly short-term in nature and they are not held for speculative purposes but have been mostly placed as term deposits and cash funds.

### Effective interest rates and repricing analysis

In respect of interest bearing financial instruments, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

	Effective interest rate per annum %	Total RM'000	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000
<b>Group</b>					
<b>2007</b>					
<b>Fixed rate instrument</b>					
Finance lease liabilities	4.94 - 8.00	1,105	576	402	127
<b>Floating rate instruments</b>					
Fixed deposits with banks	3.00 - 3.67	32,776	32,776	-	-
Short term cash funds	2.50 - 3.83	42,200	42,200	-	-
Unsecured bankers' acceptances	3.82 - 3.83	412	412	-	-
Unsecured revolving credits	4.20	48,975	48,975	-	-
<b>2006</b>					
<b>Fixed rate instrument</b>					
Finance lease liabilities	4.94 - 8.00	1,681	557	1,037	87
<b>Floating rate instruments</b>					
Fixed deposits with banks	2.35 - 3.70	47,255	47,255	-	-
Short-term cash funds	2.29 - 3.20	45,000	45,000	-	-
<b>Company</b>					
<b>2007</b>					
<b>Floating rate instruments</b>					
Fixed deposits with banks	3.15 - 3.25	10,436	10,436	-	-
Short term cash funds	2.50 - 3.83	19,000	19,000	-	-
Unsecured revolving credits	4.20	48,975	48,975	-	-
<b>2006</b>					
<b>Floating rate instruments</b>					
Fixed deposits with banks	2.35 - 2.53	10,122	10,122	-	-
Short term cash funds	2.29 - 2.90	17,500	17,500	-	-

#### Fair values

##### Recognised financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair values due to the relatively short term nature of these financial instruments.

It is impracticable to estimate the fair value of the balances with subsidiaries, principally due to absence of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The Company provides financial guarantees of RM379 million (2006: RM302 million) to banks for credit facilities extended to certain subsidiaries (Note 29). The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

notes to the **financial statements**  
(continued)

## 28. Financial instruments (continued)

Fair values (continued)

Recognised financial instruments (continued)

The fair value of other financial assets, together with the carrying amount shown in the balance sheets, is as follows:

	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial assets				
Other investments (Note 10)				
Quoted shares in Malaysia	280	573	325	592
Unit trusts	154	317	124	243
	434	890	449	835

Fair value of quoted shares is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Unrecognised financial instruments

There were no unrecognised financial instruments as at 31 December 2007 and 31 December 2006.

## 29. Contingencies - unsecured

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

	Company	
	2007 RM'000	2006 RM'000
Corporate guarantees granted for banking facilities of direct subsidiary	379,000	302,000

## 30. Capital expenditure commitments

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment				
- Authorised but not contracted for and expected to be payable within one year	10,943	10,668	-	2,015

## 31. Related parties

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Company has a related party relationship with:

- (i) its subsidiaries;
- (ii) its associates;
- (iii) its joint ventures;
- (iv) key management personnel; and
- (iv) companies/organisation connected to certain major shareholders and Directors of the Company and/or of its subsidiaries.

Significant related party transactions of the Group and of the Company, other than compensations to key management personnel (see Note 23) and those disclosed elsewhere in the financial statements, are as follows:

### Transactions with subsidiaries

	Company	
	2007 RM'000	2006 RM'000

#### Nature of transactions

Dividend income	( 36,680)	( 49,600)
Management fee income	( 769)	( 2,110)
Management fee expenses	380	-
Interest expenses	118	-

### Transactions with joint ventures

	Group	
	2007 RM'000	2006 RM'000

#### Nature of transactions

Construction contract revenue	( 43,681)	( 45,809)
Interest income	( 5)	-

### Transactions with associates

	Group	
	2007 RM'000	2006 RM'000

#### Nature of transactions

Construction costs payable	22,206	13,902
Purchase of construction materials	1,304	1,726
Sales of construction materials	( 4,218)	( 5,240)
Rental of machinery and equipment	( 237)	( 1,446)
Transportation charges	8	-

notes to the **financial statements**  
(continued)

31. Related parties (continued)

Transactions with companies/organisations connected to certain major shareholders and Directors of the Company and of its subsidiaries

	Group	
	2007 RM'000	2006 RM'000
<u>Nature of transactions</u>		
Advertisement charges	54	20
Advisory fee paid	14	120
Construction costs payable	4,555	3,088
Donation	-	1,000
Management services fee	126	-
Purchase of construction materials	226	1,233
Rental of premises	48	22
Sales of properties	-	( 1,090)
Sales of construction materials	( 360)	( 865)
Supply of information technology services	379	834
Supply of training equipment	7,126	7,568
Security, watchman and cleaning services	-	19

Transaction with a member of the key management personnel of the Company

	Group	
	2007 RM'000	2006 RM'000
<u>Nature of transaction</u>		
Sales of developed properties	286	120

The amounts due from/to subsidiaries, associates, joint ventures and directors are disclosed in the balance sheets as well as Notes 15, 16 and 21 to the financial statements. The outstanding balances with other related parties are as follows:

	Group	
	2007 RM'000	2006 RM'000
Amount due therefrom	19	59
Amount due thereto	( 1,780)	( 7,701)

The above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled in cash.

## 32. Acquisitions and disposals of subsidiaries

### Business combinations

On 5 April 2007, Naim Cendera Sdn. Bhd. (“NCSB”) acquired the entire equity interests in Peranan Pakatan Sdn. Bhd., Simbol Warisan Sdn. Bhd., Jelas Kemuncak Resources Sdn. Bhd., Peranan Makmur Sdn. Bhd., Warisan Makna Sdn. Bhd., Peranan Prima Sdn. Bhd. and Akademi Binaan Naim Sdn. Bhd., each for a consideration of RM2.00, satisfied by cash.

In the previous financial year, NCSB acquired an additional 145,000 shares, in Naim Ready Mix Sdn. Bhd. (“NRMSB”), representing 29% of the equity, from a minority shareholder for a consideration of RM145,000. At the same time, a subsidiary of NCSB disposed of its entire 20% equity interest, comprising 100,000 shares, in NRMSB to a third party, for a cash consideration of RM100,000. The resultant group equity interest in NRMSB increased from 61.2% to 80.0%.

On 7 April 2006, NCSB acquired the entire equity interest in SINOHYDRONAIM Sdn. Bhd. (“SSB”) for a consideration of RM2.00. On 10 April 2006, the issued and paid-up share capital of SSB was increased to RM2,000,000 and its shareholdings were restructured such that the company is now 51% owned by Sinohydro Corporation (M) Sdn. Bhd. and 49% by NCSB.

The acquisition of additional interest in NRMSB had the following effect on the Group’s assets and liabilities on the acquisition date:

	2006 RM’000
Net assets acquired	40
Goodwill on consolidation	5
<b>Cash outflow on acquisition</b>	<b>45</b>

The Group’s share of the net loss in NRMSB for the period subsequent to the acquisition of the additional 18.8% equity stake therein up to 31 December 2006 was approximately RM137,000. The Group also recognised a decrease in minority interest of RM40,000.

The goodwill of RM5,000 arising from the acquisition of the minority interest, not identifiable to any cash-generating unit, is written off to the income statement for the year ended 31 December 2006 (Note 22).

## 33. Material litigation

### Suit over land

In February 2005, Naim Cendera Tujuh Sdn. Bhd. (“NC7”), a wholly owned subsidiary, received a Writ of Summons from 5 persons suing on behalf of themselves and 78 others, claiming to have native customary rights over part of NC7’s leasehold land known as Lot 30, Block 34, Kemena Land District, Bintulu. Approximately 100 acres out of a total of 700 acres of the land are claimed by the plaintiffs.

The said land was previously alienated by the Government of Sarawak and due land premium had been settled in prior years. Should the matter not be satisfactorily resolved or should the court rule in favour of the plaintiffs, NC7 will approach the State authorities for substitution of the land. The suit therefore does not have any material impact to the Group.

## 34. Significant events

### 1. Proposed Islamic Securities Programmes (“ISP”)

The Company obtained on 1 October 2007 approval from the Securities Commission for its proposed issuance of Islamic Commercial Papers (“ICP”) and Islamic Medium Term Notes (“IMTN”) pursuant to an Islamic Commercial Papers Issuance Programme of RM100 million and an Islamic Medium Term Note Issuance Programme of RM500 million respectively, which will not exceed RM500 million in aggregate outstanding nominal value at any one time.

The proceeds of the ISP will be utilised to meet the syariah-compliant working capital requirements and the syariah-compliant general corporate purposes of the Group.

The ICP and IMTN have not been issued as at 31 December 2007.

notes to the **financial statements**  
(continued)

2. Acquisition of new associates

On 27 August 2007, the Company acquired 45% equity interests in Dayang Enterprise Sdn. Bhd. (“DESB”), DESB Marine Services Sdn. Bhd. (“DMSSB”) and Fortune Triumph Sdn. Bhd. (“FTSB”) (collectively referred to as “Dayang Group”) for an aggregate cash consideration of RM87,750,000, excluding acquisition costs. The acquisitions were subject, *inter alia*, to the achievement by Dayang Group and their future subsidiaries and associates of aggregate profit after tax of at least RM34 million for the financial year ending 30 September 2008 (“Guaranteed Profit”). In the event of any shortfall in the Guaranteed Profit, a sum of RM2.7 million will be made to the Company as shortfall compensation.

To effectuate the listing of Dayang Group on the Main Board of Bursa Malaysia Securities Berhad, the Company entered into conditional agreements on 28 December 2007 to transfer all of its interests in DESB, DMSSB and FTSB to Dayang Enterprise Holdings Berhad (“DEHB”) in exchange for the issuance by DEHB of 110,621,700 new ordinary shares of RM0.50 each in DEHB to the Company (“the Share Exchange”).

On 29 February 2008, DEHB issued a special renounceable rights issue of 20,300,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per ordinary share, out of which 9,135,000 shares were subscribed by the Company. Upon the completion of the Share Exchange and the rights issue on 29 February 2008, DEHB became a 45% owned associate of the Company.

Having obtained approval from the Securities Commission for its proposed listing on 30 January 2008 and having completed a public issue of 85,874,000 new ordinary shares of RM0.50 each at an issue price of RM1.45 per ordinary share on 17 April 2008, DEHB, in which the Company’s shareholding was reduced to 34.02% following the public issue, was listed on the Main Board of Bursa Malaysia Securities Berhad on 24 April 2008.

**35. Events subsequent to balance sheet date**

- 35.1 On 10 March 2008, the Company repurchased 223,000 of its issued shares from the open market at an average price of RM3.13 per ordinary share. The repurchase transactions were financed by internally generated funds.
- 35.2 On 19 March 2008, a subsidiary, NCSB entered into a joint venture agreement with Sebiro Holdings Sdn. Bhd. (“SHSS”) to jointly formulate a proposal, and if successful, to enter into a contract with the Ministry of Education to undertake a building construction contract. The proposed joint venture will be equally owned by NCSB and SHSS when effected.

**36. Change in accounting policy**

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2007.

The adoption of FRS 117, *Leases*, has resulted in the classification of leasehold land. The up-front payments made for leasehold land represent prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment losses.

As a result of the adoption of FRS 117 at 1 January 2007, the carrying value of leasehold land which is held under operating lease has now been reclassified to prepaid lease payments as a separate line item on the consolidated balance sheets.

Other than the reclassification, this change in accounting policy does not have any financial impact on the Group.

### 37. Comparative figures

Certain comparative figures have been reclassified as a result of the change in accounting policy as stated in Note 36 as well as to conform to the current year's presentation.

	Group	
	As restated RM'000	As previously stated RM'000
<b>Balance sheets</b>		
Property, plant and equipment	25,542	44,192
Prepaid lease payments	18,650	-
Current tax assets	7,873	10,247
Trade and other receivables	258,699	258,862
Investment in joint ventures	10,175	7,638
=====		
<b>Note 27, Segmental information</b>		
Segment assets	254,048	256,585
Investment in joint ventures	10,175	7,638
=====		

# analysis of shareholdings

as at 30 april 2008

Authorised Share Capital	:	RM500,000,000 comprising RM500,000,000 shares of RM1.00 each
Issued and Paid-up Share Capital	:	RM250,000,000 comprising RM250,000,000 shares of RM1.00 each
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting rights	:	1 vote per ordinary share

SIZE OF HOLDINGS	NO OF SHAREHOLDERS	% OF SHAREHOLDERS	NO OF SHARES HELD	% OF ISSUED CAPITAL
1 - 99	6	0.5343	257	0.0001
100 - 1,000	399	35.5298	322,220	0.1289
1,001 - 10,000	423	37.6670	1,865,100	0.7460
10,001 - 100,000	176	15.6723	5,901,247	2.3605
100,001 - 12,499,999	115	10.2404	141,221,826	56.4887
12,500,000 and above	4	0.3562	100,689,350	40.2757
<b>Total</b>	<b>1,123</b>	<b>100.0000</b>	<b>250,000,000</b>	<b>100.0000</b>

## TOP 30 SHAREHOLDERS

NO	NAME	No. of Share held	% Shareholding
1	ISLAND HARVESTS SDN BHD	30,619,600	12.2478
2	TAPAK BERINGIN SDN BHD	27,000,000	10.8000
3	HASMI BIN HASNAN	25,918,850	10.3675
4	LEMBAGA TABUNG HAJI	17,150,900	6.8604
5	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	10,247,000	4.0988
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD CMS ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	10,000,000	4.0000
7	HASMI & ASSOCIATES MANAGEMENT SDN BHD	9,672,750	3.8691
8	ABDUL HAMED BIN SEPAWI	7,150,000	2.8600
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PRUDENTIAL FUND MANAGEMENT BERHAD	6,430,300	2.5721
10	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.)	5,400,000	2.1600
11	EMPLOYEES PROVIDENT FUND BOARD	5,251,200	2.1005
12	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ABDUL HAMED BIN SEPAWI (51401139418A)	5,000,000	2.0000
13	AMSEC NOMINEES (TEMPATAN) SDN BHD CMS DRESDNER ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (RB-TNB-CMS)	4,625,000	1.8500
14	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR CMS PREMIER FUND (4959)	4,625,000	1.8500
15	NAIM CENDERA HOLDINGS BERHAD SHARE BUY BACK ACCOUNT	4,592,800	1.8371
16	VALUECAP SDN BHD	4,435,100	1.7740
17	HSBC NOMINEES (TEMPATAN) SDN BHD NOMURA ASSET MGMT MALAYSIA FOR EMPLOYEES PROVIDENT FUND	4,409,900	1.7640
18	HWS PROPERTIES SDN BHD	4,182,250	1.6729
19	CITIGROUP NOMINEES (ASING) SDN BHD CB SGP FOR AIG INTERNATIONAL FUNDS-ACORNS OF ASIA BALANCED FUND	3,950,000	1.5800
20	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A.	3,841,500	1.5366
21	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR HASMI BIN HASNAN	3,000,000	1.2000
22	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (NON PAR 1)	2,479,700	0.9919

## TOP 30 SHAREHOLDERS (continued)

NO	NAME	No. of Share held	% Shareholding
23	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	2,168,600	0.8674
24	CITIGROUP NOMINEES (ASING) SDN BHD GSI FOR NORTH OF SOUTH CAPITAL LLP	1,500,000	0.6000
25	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	1,493,700	0.5975
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE INVESTMENT MANAGEMENT BERHAD FOR EMPLOYEES PROVIDENT FUND	1,476,000	0.5904
27	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG FOR PRISM OFFSHORE FUND LTD	1,317,700	0.5271
28	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC DIVIDEND FUND	1,233,200	0.4933
29	NAIM CENDERA HOLDINGS BERHAD SHARE BUY-BACK ACCOUNT	1,139,600	0.4558
30	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL AL-FAID (4389)	1,117,100	0.4468

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1 Island Harvest Sdn. Bhd.	30,619,600	12.25	-	-
2 Datuk Hasmi Bin Hasnan	28,918,850	11.57	40,480,500	16.19
3 Tapak Beringin Sdn. Bhd.	27,406,900	10.96	-	-
4 Datuk Abdul Hamed Bin Sepawi	12,150,000	4.86	27,992,700	11.20
5 Employees Provident Fund Board	5,251,200	2.10	15,885,900	6.35
6 Lembaga Tabung Haji	17,150,900	6.86	-	-
7 Capital Group International, Inc.	-	-	15,328,600	6.13

## DIRECTORS' DIRECT AND INDIRECT INTEREST IN THE COMPANY

	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1 Datuk Abdul Hamed Bin Sepawi	12,150,000	4.860	27,992,700	11.200
2 Datuk Hasmi Bin Hasnan	28,918,850	11.570	40,480,500	16.190
3 Dr. Sharifuddin Bin Abdul Wahab	151,700	0.060	-	-
4 Ahmad Bin Abu Bakar	5,000	0.002	-	-
5 Ir. Suyanto Bin Osman	135,000	0.054	-	-
6 Kueh Hoi Chuang	144,100	0.058	-	-
7 Abang Hasni Bin Abang Hasnan	-	-	-	-
8 Leong Chin Chiew (appointed on 12 March 2008)	24,000	0.010	1,000	0.000
9 YB Tuan Haji Hamden Bin Haji Ahmad	-	-	-	-
10 Ir. Abang Jemat Bin Abang Bujang	-	-	-	-
11 Datu' Haji Abdul Rashid Bin Mohd Azis	-	-	-	-
12 Sylvester Ajah Subah @ Ajah Bin Subah	34,000	0.014	-	-
13 Professor Abang Abdullah Bin Abang Mohamad Alli	-	-	-	-

# top 10 properties

as at 31 december 2007

Lot No/ Location	Description	Date Of Acquisition/ Lease Expiring Date	Land Area/ (Built up Area) Sq. Meter	At Cost/Net Book Value RM
<b>PROPERTIES UNDER LAND</b>				
<b>HELD FOR DEVELOPMENT</b>				
<b>Long Term Leasehold</b>				
Lot 3247 Block 11 Kuala Baram Land District, Miri (Old lot = Lot 4281, Block 10)	Land For Development	20.07.1995 Expiring 19.07.2094	679,006	35,793,246
Lot 173 & 182, Block 10 Kuala Baram Land District, Miri (Old lot = Lot 5451, Block 10)	Land For Development	21.08.1997 Expiring 20.08.2096	326,229	14,073,638
Lot 819, Blk 13 Kuala Baram Land District (Old lot = Lot 772)	Land For Development	21.08.1997 Expiring 20.08.2096	314,371	10,064,414
Lot 75 Block 11, Kuala Baram Land District, Miri (Old lot = Lot 5156, Block 10)	Land For Development	21.08.1997 Expiring 20.08.2096	827,126	6,325,027
Lot 4711, Block 14, Salak Land District (Old lot = Lot 3625, Block 14)	Land For Development	22.06.2004 Expiring 21.06.2064	335,990	5,453,498
<b>PROPERTIES UNDER PREPAID LEASE PAYMENTS</b>				
<b>Long Term Leasehold</b>				
Lot 3287, Block 10, Kuching Central Land District	Town Land	3.8.2007 Expiring 2.8.2067	135,970	30,442,303
Lots 30 & 31, Block 34, Kemena Land District, Bintulu (Old lot = Lot 23, Block 34)	Vacant Land	13.02.2001 Expiring 05.09.2061	4,010,000	13,726,636
<b>PROPERTIES UNDER PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Building</b>				
Lot 3064-10-1, Block 10, Wisma Naim, Jalan Rock, Kuching Town Land District, Kuching	Office Building (Age: 12 Years)	31.07.2000 Expiring 11.04.2055	(568)	1,766,912
Parcel 3064-1-2, Ground Floor Wisma Naim	Office Floor	12.04.1995 Expiring 11.04.2055	(309)	1,486,354
Parcel 3064-11-1, Tenth Floor Wisma Naim	Office Floor	12.04.1995 Expiring 11.04.2055	(521)	1,475,047

# notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 6<sup>th</sup> Annual General Meeting of Members of NAIM CENDERA HOLDINGS BERHAD will be held at Damai Puri Resort & Spa, Damai Beach, Teluk Penyuk, Santubong, Kuching, Sarawak on Wednesday, 18<sup>th</sup> June 2008 at 11.00 a.m. for the following purposes:

## ORDINARY BUSINESS

### 1. Adoption of Financial Statements

To receive and adopt the audited financial statements and reports of Directors and Auditors for the financial year ended 31<sup>st</sup> December 2007. **ORDINARY RESOLUTION 1**

### 2. Approval of Directors' Fees

To approve Directors' Fees in respect of the financial year ended 31<sup>st</sup> December 2007. **ORDINARY RESOLUTION 2**

### 3. Re-Election of Directors

In accordance with Article 85 of the Company's Articles of Association, the following Directors retire by rotation from the Board and being eligible, offer themselves for re-election.

Dr. Sharifuddin Bin Abdul Wahab

**ORDINARY RESOLUTION 3**

Mr. Kueh Hoi Chuang

**ORDINARY RESOLUTION 4**

Datu Haji Abdul Rashid Bin Mohd Azis

**ORDINARY RESOLUTION 5**

In accordance with Article 92 of the Company's Articles of Association, the following Director retire from the Board and being eligible, offer himself for re-election.

Mr. Leong Chin Chiew

**ORDINARY RESOLUTION 6**

### 4. Re-Appointment of Auditors

To re-appoint Messrs. KPMG as Auditors and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 7**

## SPECIAL BUSINESSES

To consider and, if thought fit, to pass the following as Ordinary Resolutions:-

### 5. ORDINARY RESOLUTION 8 - AUTHORITY TO ALLOT AND ISSUE SHARES

"THAT, subject always to the Companies Act 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **ORDINARY RESOLUTION 8**

### 6. ORDINARY RESOLUTION 9 - PROPOSED RENEWAL OF AUTHORITY TO PURCHASE OWN SHARES

"THAT, subject always to the Companies Act, 1965 and all other applicable laws, guidelines, rules and regulations, the Directors of the Company be and are hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interests of the Company provided THAT :-

- (i) the aggregate number of shares to be purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company;
- (ii) an amount not exceeding RM30 million being the amount not exceeding the total Company's latest unaudited net cash resources of RM60 million as at 30 April 2008, be allocated for the proposed share buy-back,
- (iii) the Directors of the Company may decide in their discretion to retain the shares purchased as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends;

AND THAT authority be and is hereby given to the Directors of the Company to act and to take all such steps and to do all things as are necessary or expedient to implement and finalise and give full effect to the proposed share buy-back.

# notice of annual general meeting

AND THAT such authority conferred by this resolution will commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this ordinary resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general Meeting.”

ORDINARY RESOLUTION 9

7. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

Kho Teck Hock (MIA 5836)  
Bong Siu Lian (MAICSA 700221)  
Company Secretaries

Kuching, Sarawak  
Dated this 27 May 2008

#### NOTES:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. To be valid the Proxy form duly completed must be deposited at the Registered Office of the Company at 9<sup>th</sup> Floor, Wisma Naim, 2 ½ Mile Jalan Rock, 93200 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

#### Explanatory Notes on Special Businesses

- a) Ordinary Resolution 8 - Authority to Allot and Issue Shares  
This proposed resolution, if passed, will empower the Directors of the Company to issue and allot Ordinary Shares from the unissued capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This authority will unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting of the Company.
- b) Ordinary Resolution 9 - Proposed Renewal of Authority to Purchase Own Shares  
Please refer to the Statement to Shareholders in relation to The Proposed Renewal of Authority for Purchase of Own Shares dated 27 May 2008 for further information.

#### Statement accompanying Notice of Annual General Meeting

#### Directors Standing for Re-election

- a) The Directors who are standing for re-election at the 6<sup>th</sup> Annual General Meeting of the Company are as follows:-  
Dr. Sharifuddin Bin Abdul Wahab  
Mr. Kueh Hoi Chuang  
Datu Haji Abdul Rashid Bin Mohd Azis  
Mr. Leong Chin Chiew
- b) Further details of the above named Directors are available on pages 28 to 35 and their securities holdings on page 137 of the 2007 Annual Report.



CDS account no. of authorized nominee

## FORM OF PROXY

I/We .....  
 (FULL NAME AS PER NRIC IN BLOCK CAPITAL)

IC No./ID No./Company No. .... (new) ..... (old)

of .....  
 (FULL ADDRESS)

being a member of NAIM CENDERA HOLDINGS BERHAD, hereby appoint .....

.....  
 (FULL NAME AS PER NRIC IN BLOCK CAPITAL)

NRIC NO./Passport No ..... (new) ..... (old) of

.....  
 (FULL ADDRESS)

or failing him/her the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the 6<sup>th</sup> Annual General Meeting of the Company to be held at Damai Puri Resort & Spa, Damai Beach, Teluk Penyuk, Santubong, Kuching, Sarawak, Malaysia on Wednesday, 18<sup>th</sup> June 2008 at 11.00 a.m. or any adjournment thereof, in the manner indicated below:-

Resolutions		FOR	AGAINST
Ordinary Resolution 1	Adoption of the audited financial statements and reports thereto		
Ordinary Resolution 2	Approve payment of Directors' fee		
Ordinary Resolution 3	Re-election of Director : Dr. Sharifuddin Bin Abdul Wahab		
Ordinary Resolution 4	Re-election of Director: Mr. Kueh Hoi Chuang		
Ordinary Resolution 5	Re-election of Director: Datu Haji Abdul Rashid Bin Mohd Azis		
Ordinary Resolution 6	Re-election of Director: Mr. Leong Chin Chiew		
Ordinary Resolution 7	Re-appointment of Auditors : Messrs KPMG as Auditors and authorizing the Directors to fix their remuneration		
<b>Special Businesses</b>			
Ordinary Resolution 8	Authority to allot and issue shares		
Ordinary Resolution 9	Proposed renewal of authority to purchase own shares		

(Please indicate with an "X" in the spaces above how you wish your votes to be casted on the resolution specified in the Notice of Meeting. If no specific direction as to the voting is indicated, the proxy/proxies will vote or abstain from voting as he/she/they think(s) fit.)

Date this ..... day of ..... 2008

Number of shares held:

.....  
 Signature of Shareholder(s)/Common Seal

**Notes:-**

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. To be valid this form duly completed must be deposited at the Registered Office of the Company at 9<sup>th</sup> Floor, Wisma Naim, 2 ½ Mile Jalan Rock, 93200 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
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5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

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STAMP

The Company Secretary  
**NAIM CENDERA HOLDINGS BERHAD**

9th Floor, Wisma Naim,  
2½ Mile, Jalan Rock,  
93200 Kuching,  
Sarawak.

2. Fold here / Lipat di sini

# from where we began . . .



Annual Report 1998  
NAIM CENDERA  
SDN BHD



Annual Report 1999  
NAIM CENDERA  
SDN BHD



Annual Report 2000  
NAIM CENDERA  
SDN BHD



Annual Report 2001  
NAIM CENDERA  
SDN BHD



Annual Report 2002  
(NON-PUBLIC LISTED COMPANIES CATEGORY)  
NAIM CENDERA  
SDN BHD



Annual Report 2003  
NAIM CENDERA  
HOLDINGS BERHAD



Annual Report 2004  
NAIM CENDERA  
HOLDINGS BERHAD



Annual Report 2005  
NAIM CENDERA  
HOLDINGS BERHAD



Annual Report 2006  
NAIM CENDERA  
HOLDINGS BERHAD



Annual Report 2007  
NAIM CENDERA HOLDINGS BERHAD



Registered and Head Office

9<sup>th</sup> Floor Wisma Naim,  
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Tel : 6 082 411667

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E-mail : [cendera@po.jaring.my](mailto:cendera@po.jaring.my)

Website: [www.naimcendera.com](http://www.naimcendera.com)